

Consultation paper

The FPS APP scams reimbursement requirement: compliance and monitoring

April 2024

We welcome your views on this consultation. If you would like to provide comments, please send these to us by **5pm on 28 May 2024**

You can email your comments to **appscams@psr.org.uk** or write to us at:

APP scams
Payment Systems Regulator
12 Endeavour Square
London E20 1JN

We will consider your comments when preparing our response to this consultation.

We will make all non-confidential responses to this consultation available for public inspection.

We will not regard a standard confidentiality statement in an email message as a request for non-disclosure. If you want to claim commercial confidentiality over specific items in your response, you must identify those specific items which you claim to be commercially confidential. We may nonetheless be required to disclose all responses which include information marked as confidential in order to meet legal obligations, in particular if we are asked to disclose a confidential response under the Freedom of Information Act 2000. We will endeavour to consult you if we receive such a request. Any decision we make not to disclose a response can be reviewed by the Information Commissioner and the Information Rights Tribunal.

You can download this consultation paper from our website: www.psr.org.uk/app-scams-cp24-3-compliance-monitoring-regime

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1 Executive summary

- 1.1** In 2023, we published policy statements [PS23/3 Fighting authorised push payment fraud: a new reimbursement requirement](#) and [PS23/4 Fighting authorised push payment scams: final decision](#). These policy statements set the detailed parameters for the Faster Payments Scheme (FPS) authorised push payment (APP) scams reimbursement requirement. We also published three legal instruments which give effect to the policy. The reimbursement requirement policy will:
- incentivise the payment industry to invest further in end-to-end fraud prevention by requiring every payment service provider (PSP) in-scope to meet the cost of reimbursement
 - increase customer protections so most victims of APP fraud are swiftly reimbursed, boosting confidence in the UK payment ecosystem
 - support us to pursue our long-term ambition for Pay.UK to take on a broader role and actively improve the rules governing Faster Payments to tackle fraud in its role as the payment system operator
- 1.2** The start date for the reimbursement policy is 7 October 2024. It is crucial that PSPs continue the work already underway to prepare and ensure they are ready to implement the requirements. This will support confidence in Faster Payments, consistency of customer outcomes and fair division of liability between sending and receiving PSPs. We know that our incentives are already working, with PSPs taking significant steps to improve end-to-end fraud prevention.
- 1.3** As the operator of Faster Payments, Pay.UK will be responsible for monitoring all directed PSPs' compliance with the FPS reimbursement rules. Where necessary, and where it has the powers to do so, it will take action to manage compliance. Pay.UK has been developing its compliance monitoring regime in consultation with industry and the PSR. It has now submitted its regime to the PSR for review, which we will assess using the confidence objectives set out [here](#). Subject to our approval, the regime will be published by Pay.UK on its website and no later than 7 June 2024.
- 1.4** To implement the reimbursement requirements, Pay.UK is making a number of changes to its rules which will place obligations on PSPs to provide data in the manner and form it requires. Pay.UK will provide a single reimbursement claim management system (RCMS). PSPs will use this RCMS to manage FPS APP scam claims, communicate between PSPs and report data to Pay.UK.
- 1.5** To ensure the compliance regime is consistent across all Faster Payments participants (both direct and indirect), we are placing reporting obligations in our Faster Payments APP scams legal instruments. This mirrors the approach we have taken to implementing other aspects of the reimbursement policy. Our approach to setting these data and information requirements is pragmatic and will support effective and timely implementation. We have considered the proportionality and potential impacts of these proposals for PSPs, as set out in our proportionality assessment and cost benefit analysis, contained within this consultation paper.

- 1.6** Looking forward, we expect Pay.UK to establish, maintain and enforce cross-market operational arrangements in a number of areas including APP and account-to-account retail transactions. We want to see Pay.UK start moving towards this longer-term role, addressing existing constraints and developing greater expertise in this area.
- 1.7** We are responsible for monitoring and enforcing compliance with our directions, including the compliance of in-scope indirect Faster Payments participants. Once we have been notified of a potential breach, we will use our regulatory toolkit and powers as we judge appropriate, taking account of our [Powers and Procedures Guidance \(PPG\)](#) and [Administrative Priority Framework](#).
- 1.8** In this consultation, we invite views on:
- the proposals set out in this consultation paper
 - our proposed amendments to our Faster Payments APP scams legal instruments – Specific Direction 19 (SD19), Specific Direction 20 (SD20) and Specific Requirement 1 (SR1)
 - the draft compliance data reporting guidance
 - the draft cost benefit analysis
- 1.9** This package of proposals will deliver the remaining aspects of the policy, as outlined above. The deadline to respond to this consultation document is **5pm on 28 May 2024**.

2 Introduction

This consultation seeks views on the data and information that PSPs will be required to provide to Pay.UK to enable it to fulfil its compliance monitoring role, and for the PSR to fulfil ours. It delivers key proposals required for implementation, as signalled in our [December 2023 policy statement](#).

This document sets out our proposals for all PSPs in-scope of the reimbursement requirement policy to report data and information to Pay.UK, so that it can effectively monitor and manage compliance with the FPS reimbursement rules. It also sets requirements for how this data must be provided, and how it will be managed. This includes proposing to require PSPs to use Pay.UK's RCMS to collate, retain and provide data to Pay.UK, by requiring PSPs to comply with the Faster Payments Scheme rule that will require its use. All PSPs using the RCMS will support PSPs to effectively communicate in respect of claims.

Recognising the significant work required to establish these reporting channels, we are proposing a pragmatic, streamlined approach and phased reporting from the policy start date. We are also consulting on placing limits on what Pay.UK is permitted to do with the monitoring data and information it receives from PSPs, including in respect of disclosure.

We propose to deliver this by including new requirements within the existing specific directions. We are not proposing any changes to the powers exercised, or the requirements already contained within the specific directions relating to Faster Payments APP scam reimbursement.

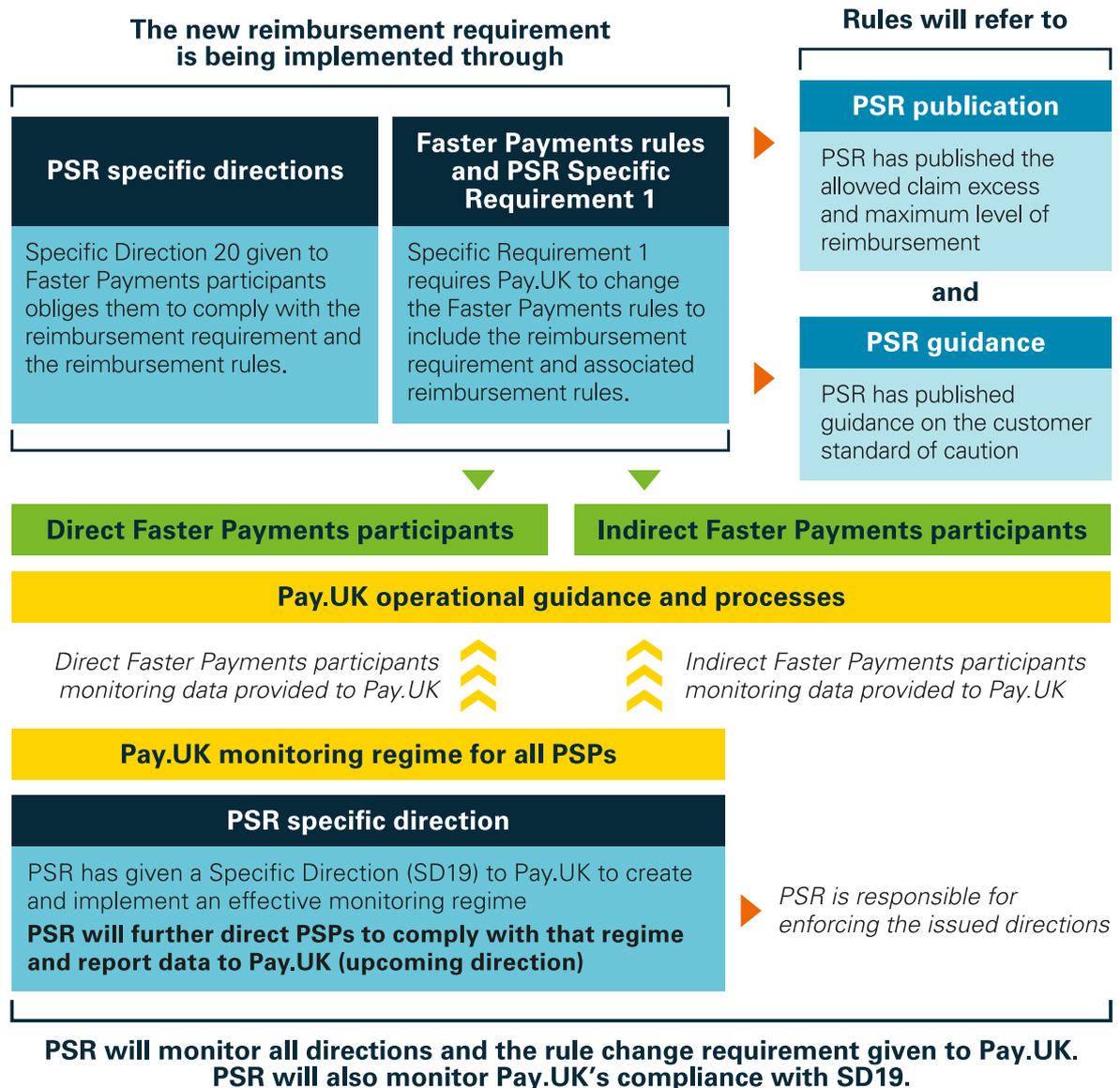
This chapter provides background and summarises our data reporting requirements.

Background

- 2.1** As the operator of Faster Payments, Pay.UK is creating and implementing a compliance monitoring regime for all requirements across all in-scope PSPs (including indirect participants), as required by SD19. This approach acknowledges that, in conjunction with industry, Pay.UK is best positioned to assess the most effective and efficient monitoring approach.
- 2.2** After seeking views from industry, Pay.UK has submitted its draft proposals for monitoring compliance with the FPS reimbursement rules, to the PSR, as required by SD19. Subject to our approval, by 7 June Pay.UK will publish the monitoring regime on its website. While Pay.UK's proposals are not finalised and remain subject to our approval, we are content that they are advanced enough for us to consult on the data and information collection and management proposals required to underpin its monitoring regime.

2.3 The proposals set out in the consultation will enable Pay.UK to collect data from all in-scope PSPs. Where there is non-compliance and where it has the power to do so, Pay.UK will then take steps to address non-compliance with the FPS reimbursement rules. We will be responsible for enforcing compliance with our directions, including the compliance of in-scope indirect Faster Payments participants. Figure 1 sets this out in more detail.

Figure 1: Faster Payments APP scams compliance monitoring roles and responsibilities



Key proposals

This table provides an overview of the key proposals that place obligations on PSPs, as outlined in this consultation.

Requiring all PSPs to register with Pay.UK	Require PSPs to register with Pay.UK by 20 August 2024. This means providing specific information to Pay.UK to facilitate a PSP's onboarding to Pay.UK's RCMS. Onboarding is the process by which a PSP, in conjunction with Pay.UK, creates one or more user accounts on the RCMS, undertakes any relevant testing and is capable of using the RCMS to comply with the FPS reimbursement rules.
Requiring all PSPs to comply with the FPS RCMS rule	Require PSPs to comply with the FPS rule which will require them to use the RCMS. This will ensure both direct and indirect PSPs (members and non-members of the Faster Payments Scheme) are brought in scope of the FPS RCMS rule.
Date for compliance with the FPS RCMS rule	Require PSPs to comply with the FPS RCMS rule by 1 May 2025.
Data reporting requirements	<p>Establish the data and information that PSPs must collate, retain and provide to Pay.UK in a separate document, <i>Faster Payments APP scams: compliance data reporting standards (CDRS)</i>. SD20 will require PSPs to comply with the CDRS.</p> <p>We have published a draft CDRS for comment, in Annex 1.</p>
Reporting standard A	<p>Under reporting standard A, require PSPs to:</p> <ul style="list-style-type: none"> • collate and retain all data specified in the CDRS • report on a limited set of this data to give Pay.UK oversight of core compliance metrics. <p>Any of the data PSPs collate and retain must be provided to Pay.UK or the PSR on request.</p>
Reporting standard B	<p>Under reporting standard B, require PSPs to report all data specified in the CDRS to give Pay.UK holistic oversight of PSP compliance across all metrics.</p> <p>Reporting standard B will be effective for all PSPs from 1 May 2025.</p>
Information and record-keeping provisions	<p>Require PSPs to assure themselves, in the manner required by Pay.UK and set out in its FPS rules, of the accuracy and quality of the reported data.</p> <p>Require PSPs to provide timely responses to appropriately scoped and reasonable requests for data and/or information from Pay.UK.</p> <p>Require PSPs to comply with record-keeping obligations and store data and information on secure systems.</p>

Data reporting principles – scope of claims reported	Any consumer issue that may potentially be within the scope of the FPS APP scams reimbursement requirement must be collated, retained and provided to Pay.UK. We will not require PSPs to report consumer issues to Pay.UK which are unambiguously not in scope of the FPS APP scams reimbursement requirement.
Contingency arrangements	The reporting requirements will vary depending on the period for which the RCMS is unavailable. If it is unavailable for 30 days or more, reporting standard A applies. If it is unavailable for less than 30 days, reporting must be undertaken by PSPs using the method that Pay.UK specifies in its FPS rules.
Process for amending the CDRS	We will publish a notice of intention to change the CDRS, on the PSR website. Any changes will come into effect no sooner than 30 days following confirmation of them. Where proposed changes are material, we will follow standard procedures and consult on them, as required.

2.4 We propose to implement these proposals through amendments to SD20.

2.5 This consultation also proposes amendments to:

- SD19 to place reasonable limits on how Pay.UK can use the information it receives as part of compliance monitoring
- Specific Requirement 1 (SR1) to clarify the circumstances in which Pay.UK is required to notify the PSR of proposed changes to its rules, that compliance with the reimbursement requirement and rules is ancillary to their execution, to clarify what steps must be completed before a claim can be closed and clarify our policy intent where an FPS APP scam claim features multiple receiving PSPs

Responses

2.6 We are asking for responses to this consultation by **5pm on 28 May 2024**. We welcome feedback from not only the entities we regulate, but from all stakeholders and interested parties.

2.7 You can provide feedback by emailing appscams@psr.org.uk. You should provide your responses in a Microsoft Word document (rather than, or as well as, a PDF).

2.8 We will consider all consultation responses received by the deadline of 5pm on 28 May 2024. As we plan to finalise the legal instruments in July ahead of the policy start date, stakeholders should not expect to be granted requests for extensions.

2.9 We will make all non-confidential responses available and publish these along with the responses when we finalise the proposed amendments to SD19, SD20 and SR1 in July 2024. If your submission includes confidential information, please also provide a non-confidential version suitable for publication. If you deem your submission to include confidential information, please explain why you consider it confidential. Please also note that we do not accept blanket claims of confidentiality.

Proportionality and cost benefit analysis

- 2.10** APP scams are a significant social problem and our measures to incentivise better prevention of Faster Payments APP scams and ensure that victims are appropriately reimbursed are a key consumer protection. They will help maintain consumer confidence in payment systems. The proposals set out in this consultation are critical to implementing the remaining aspects of our Faster Payments APP scams reimbursement policy and enabling Pay.UK to own and lead the monitoring of PSPs' compliance with the FPS reimbursement rules.
- 2.11** An amended specific direction from the PSR to PSPs is necessary to require PSPs to report data to Pay.UK for Faster Payments APP scams compliance monitoring. Pay.UK does not have sufficient powers to require such data and information from PSPs. Without a further specific direction, it could not obtain data to effectively monitor compliance. We are placing reasonable limits on what Pay.UK can and will do with the data and information it receives, including in respect of disclosure.
- 2.12** Regular provision of quality data is key to ensuring that consumers are being reimbursed under the policy as required, and that any compliance issues can be identified and addressed by Pay.UK. Where appropriate, issues may be escalated to us for action, such as where they relate to compliance monitoring with our directions and managing the compliance of indirect participants.
- 2.13** There will be some costs associated with PSPs collecting the required data and information, and onboarding to and using the RCMS. We are taking a pragmatic approach to data reporting from the policy start date, to manage the burden on PSPs, and the costs of such reporting. We consider the benefits outweigh the costs and are content that Pay.UK's pricing structure ensures these costs are applied fairly across different PSPs. We have provided more detail on this in our cost benefit analysis, at Annex 5.

Equality impact assessment

- 2.14** We completed an equality impact assessment (EIA) as part of the Faster Payments APP scams policy proposals previously consulted upon. The proposals set out in this consultation paper do not change or impact the EIA previously carried out. In that EIA we noted that the monitoring regime would help to ensure that any negative outcomes for specific groups are identified and mitigated as soon as possible. You can find our previously published assessment on page 68 of PS23/4, [Fighting authorised push payment scams: final decision](#).

Question 1: Do you agree with or otherwise have views on this proportionality assessment and our cost benefit analysis at Annex 5? Do you have any further evidence to provide that is relevant to this analysis?

3 Data reporting requirements

In December 2023 we published SD20. SD20 contains the FPS APP scams reimbursement requirement and directs in-scope PSPs to comply with the FPS reimbursement rules. We are not at this time proposing any changes to the existing requirements we have already consulted upon and finalised within SD20.

To implement the remaining aspects of the Faster Payments APP scams reimbursement policy, specifically in relation to compliance monitoring, we propose to place new and additional requirements on in-scope PSPs by amending SD20. This will enable us to deliver on our policy intent.

This section sets out our proposals for requiring PSPs to report data and information to Pay.UK to enable it to effectively monitor compliance with the FPS reimbursement rules. This information will also be available to the PSR to enable us to monitor compliance with our Faster Payments APP scams directions and requirements. A draft updated SD20 is provided in Annex 3.

3.1 To place proportionate data reporting requirements on in-scope PSPs, we are consulting on a pragmatic, phased approach to requiring PSPs to report Faster Payments APP scams data and information to Pay.UK as follows:

- **From 7 October 2024, reporting standard A will be in place.** Under reporting standard A, PSPs must retain all data in the CDRS. They will be required to report a focused set of compliance data to Pay.UK on a monthly basis. Reporting will be on claims closed in the reporting period, using a method specified by Pay.UK.
- **From 1 May 2025, reporting standard B will be in place, and will supersede reporting standard A.** Under reporting standard B, PSPs will be required to make a more comprehensive set of Faster Payments APP scams data available to Pay.UK. Provision of this data will be automated via Pay.UK's RCMS. We note that PSPs may voluntarily make reporting standard B data available to Pay.UK prior to this date.

3.2 While this data and information will primarily empower Pay.UK to effectively monitor compliance with the FPS reimbursement rules, the PSR may receive it from Pay.UK where PSP compliance issues are escalated to us to consider, including in relation to indirect participants and/or compliance with PSR directions and requirements.

3.3 We have detailed the data standards in the CDRS. The CDRS specifies the data and information that all PSPs will be required to collate, retain and provide to Pay.UK for it to effectively monitor compliance. A draft has been published at Annex 1.

3.4 Further detail on each of these elements is provided in this section.

Reporting standard A

- 3.5** We propose to require all PSPs to report on core compliance metrics under what we have called reporting standard A. This information will be reported manually by the sending PSP in respect of the transactions they have sent, and will give Pay.UK oversight:
- that consumers are being reimbursed within the required timeframes
 - that the sending PSP is notifying the receiving PSP of FPS APP scam claims it has received
 - that Faster Payments APP scam reimbursement is being apportioned between the sending and receiving PSP
 - of how many victims are assessed as vulnerable, under the policy
 - of the operation of the consumer standard of caution exception.
- 3.6** This data and information will come from the sending PSP and be reported at aggregate level. We have placed a new provision into SD20 to require this.
- 3.7** This pragmatic approach ensures Pay.UK has good quality data that enables it to understand PSP compliance with the FPS reimbursement rules, from the start date of 7 October 2024, while balancing the burden that manual reporting places on PSPs.
- 3.8** For the avoidance of doubt, where an in-scope PSP has not received any claims for Faster Payments APP scams reimbursement that fall within the reporting boundary outlined below (from paragraph 3.22), they must submit a 'nil return' report for the relevant period.
- 3.9** We propose that PSPs must:
- collate and retain all data and information specified in the CDRS
 - report the data specified under reporting standard A of the Faster Payments CDRS, to Pay.UK, using a method determined by Pay.UK
 - report monthly. Each reporting period will be one calendar month (by which we mean it will run from the first to the last day of the month) and cover closed cases in the reporting period. Any cases closed on the final day of the month must be included in the reporting for that month
 - submit the report to Pay.UK by close of business on the last business day of the month which follows the reporting period. This will provide PSPs sufficient time to assure the data and go through internal governance processes before submitting the report to Pay.UK. For example:
 - a. the first report to be submitted on 2 January 2025 will cover the period 7 October to 30 November 2024 (this reporting period is longer to reflect the start date of the policy and allow time for PSPs to collect sufficient data before being required to report to Pay.UK)
 - b. the second report to be submitted on 31 January 2025 will cover the period 1 December to 31 December 2024
 - submit the report on the next business day, where the required reporting date falls on a day which is not a business day – such as a weekend or Bank Holiday.

3.10 We propose that new entrants to the market be required to comply with reporting standard A for the remainder of the calendar month in which they register with Pay.UK, and the following full calendar month. This means they will be required to report data under reporting standard A to Pay.UK on the last business day of the next month following that reporting period.

Reporting standard B

3.11 Under reporting standard B, we propose that all in-scope PSPs must provide a fuller set of data to Pay.UK. **We propose that this requirement comes into effect on 1 May 2025.**

3.12 The basis for this proposed date is to provide Pay.UK and PSPs sufficient time from the policy start date of 7 October to take the necessary steps to onboard to the RCMS and be ready to use it for inter-PSP communication, claim management and data reporting.

3.13 We propose that, under reporting standard B, PSPs must make all data within the CDRS – i.e., that specified under reporting standard A, plus the additional data specified under reporting standard B – available to Pay.UK. This will be made possible through Pay.UK's RCMS which will automate reporting, allowing Pay.UK to produce and review compliance reports at PSP level, based on the claim-level data entered as part of the Faster Payments APP scams reimbursement process.

3.14 The RCMS will provide an environment for PSPs to:

- manage FPS APP scam claims
- communicate about FPS APP scam claims
- apportion liabilities between the sending and receiving PSP
- comply with the data collation retention and provision obligations in respect of the FPS reimbursement requirement

3.15 We have provided additional details about the RCMS in Chapter 4.

3.16 The additional data we are proposing is reported to Pay.UK under reporting standard B provides further context to the compliance data in reporting standard A, on areas such as the reasons that the consumer standard of caution exception has been applied by a PSP and the reasons for claims being rejected as not reimbursable.

3.17 To enable the PSR to monitor compliance with our Faster Payments APP scams directions and to ensure that implementation is effective, data and information collected by Pay.UK will regularly be shared with the PSR.

3.18 The PSR may also use this data and information to support us to fulfil our regulatory functions. This includes publishing it in public reports which address issues concerning Faster Payments APP scams and to increase transparency about PSP performance in respect of the reimbursement requirement. We may also share data and information with relevant parties, such as other regulators. This information will also support the PSR to evaluate the effectiveness of our APP scams interventions, including this policy.

Question 2: Please provide your views on whether the proposed approach to implementing reporting standards A and B balances effective management of compliance with the reporting burden on PSPs. If you do not support the proposed approach, please explain why.

Question 3: Do you have any comments on the draft CDRS? Please provide your views and reasoning.

Question 4: Please provide your views on the proposed date of 1 May 2025 for reporting standard B to come into effect?

Complex cases

3.19 We recognise that there will be some complex FPS APP scam claims that a PSP may be unable to resolve within the required timeframes, and which may therefore present as a potential compliance issue in the data and information that PSPs provide to Pay.UK.

3.20 We are developing a suitable approach and framework for identifying and managing complex cases. While we do not expect such cases to be common, we need to ensure that where a case is complex, it can be identified in line with clear criteria and appropriate steps taken to manage it. This includes ensuring that such cases do not skew a PSP's overall compliance data. We will be working with Pay.UK over the coming months to develop a process. We welcome your input on this to support us to develop an effective approach as part of this consultation.

Question 5: Please provide your views on how Pay.UK and the PSR could identify and manage complex cases, including any input on criteria we could use to identify such cases and how we could manage them.

Application to CHAPs

3.21 The Bank of England is planning to align the data standard for its CHAPS reimbursement requirement with that of the FPS reimbursement requirement. The intention is to streamline the data and information that in-scope PSPs will need to collate and retain for both FPS and CHAPS APP scam claims. We intend to create a separate CDRS for CHAPS based on the data standard the Bank of England creates, which will mirror that of Pay.UK. We also intend to underpin it with a specific direction. We are planning to consult on the specific direction for CHAPS in due course and publish the Bank of England's draft data standard and CHAPS reimbursement rules alongside that consultation.

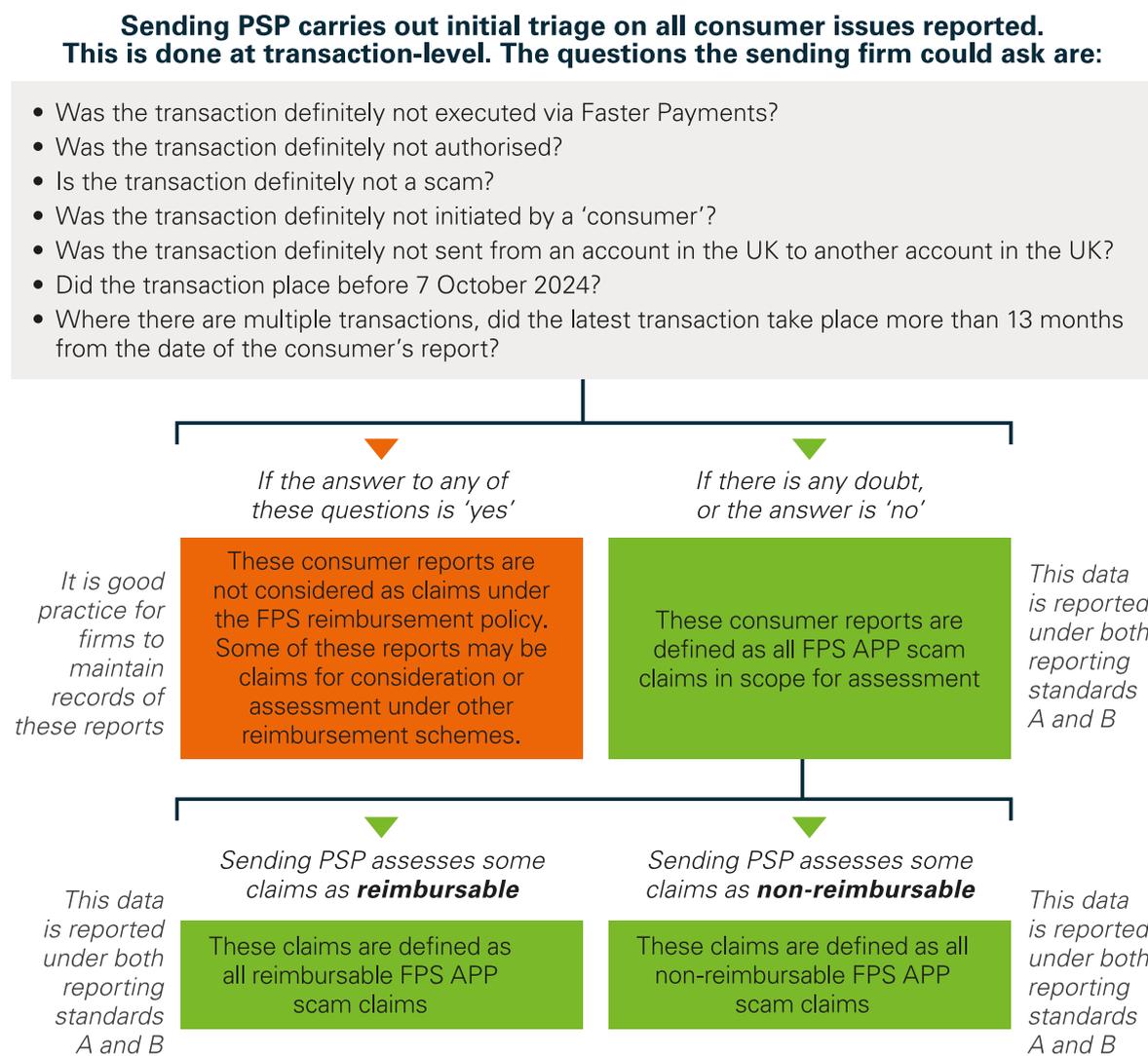
Data reporting principles – boundary of claims reported

3.22 In setting the boundary of claims that PSPs must collate, retain and provide to Pay.UK for it to monitor compliance with the FPS reimbursement rules, we have focused on ensuring that:

- our approach is aligned with the policy as consulted on and finalised in 2023, and the Faster Payments APP scams legal instruments
- the data made available to Pay.UK will be good quality
- our approach is reasonable and proportionate
- the operational burden on PSPs is effectively managed

- 3.23** Sending PSPs will receive reports of consumer issues which are very clearly and obviously not claims that would fall within the scope of the FPS reimbursement requirement. For example:
- an issue reported where all of the transactions in question were unauthorised card payments following a consumer's card being lost or stolen (i.e. none of these transactions were made over Faster Payments and are unauthorised fraud)
 - an issue reported where a consumer has purchased a product and accidentally received the incorrect item from the retailer
 - an issue reported where the transaction(s) were not sent to and from a UK account.
- 3.24** Consumer issues that have these characteristics are clearly not within the scope of the FPS reimbursement requirement, and this can be unambiguously determined based on information about the issue that the consumer provides through their initial contact with the PSP, or which the PSP is able to definitely determine from asking the consumer for further information and details about the issue.
- 3.25** We will not require PSPs to report consumer issues to Pay.UK which are unambiguously not in scope of the FPS reimbursement requirement. Such issues do not relate to its role monitoring compliance with the FPS reimbursement rules. Requiring PSPs to report on any and all consumer issues would place a significant administrative and operational burden on PSPs. This burden would exist under both reporting standards A and B.
- 3.26** We note it is good practice for PSPs to retain an internal record of such reports, and we expect and anticipate the majority of firms will do this as part of their existing standard record-keeping policies and processes – for example, retention of all communications with their customers. While such information may be useful in understanding consumer issues and understanding of the policy more widely, such claims are not relevant to the monitoring of the FPS reimbursement requirement.
- 3.27** To avoid any doubt as to where we are drawing the reporting boundary, any consumer issue that may potentially be within the scope of the FPS reimbursement requirement must be collated, retained and provided to Pay.UK in line with the requirements proposed in this consultation and the accompanying legal instruments. Any claim that has characteristics that may place it within the scope of the FPS reimbursement requirement must be included in reporting, even if, following an assessment by the PSP, it is later deemed out of scope for reimbursement.
- 3.28** Figure 2 provides a diagram of the process that PSPs may go through to determine whether an issue reported by a consumer must be included in data reported under both reporting standards A and B.

Figure 2: FPS APP scam claim triage process



3.29 The PSR’s focus is on ensuring that firms are reimbursing consumers in line with the obligations contained in this policy. Maintaining accurate records and reporting on the decisions that firms take when assessing consumer claims are key mechanisms that will allow for Pay.UK and the PSR to oversee whether the expected policy outcomes are being delivered.

3.30 We recognise that the triage process described at Figure 2 carries risk that firms may miscategorise in-scope claims which could lead to consumers not being reimbursed where they are entitled to be. We also recognise that if firms do not maintain accurate records of the decisions they make at the triage stage, it may allow them to avoid scrutiny of their decision-making process. Due to this, we are encouraging firms to maintain records of decisions taken at the triage stage as part of their systems and controls to allow them to demonstrate appropriate governance. This would include keeping the decision-making process under review as they implement the requirements.

3.31 Due to the risks outlined above, the PSR may issue a further consultation on extending the obligation to maintain records and reporting on how firms are implementing the initial triage stage, and/or take more targeted intervention if we identify the risk crystallising post-implementation.

Process for amending the Faster Payments compliance data reporting guidance

- 3.32** The data and information that we require PSPs to report or provide to Pay.UK may need to adapt to changes over time. This may include requiring new or different data and information to be reported, or reducing the data and information that PSPs are required to provide to Pay.UK.
- 3.33** Should we decide to amend the CDRS, we propose that we would publish a notice of the proposed changes on the PSR website in advance of such changes being confirmed. Any changes would then come into effect no sooner than 30 days after being confirmed on the PSR website. Where any proposed changes are material, we will follow standard procedures and consult as required. We would also expect Pay.UK to cascade the proposed changes to Faster Payments Scheme participants, such as via the RCMS.
- 3.34** We consider that this approach provides regulatory certainty, and a clear basis for any necessary changes, and strikes the appropriate balance of procedural fairness and efficiency.

Question 6: Please provide any views on the proposed approach for amending the Faster Payments compliance data reporting guidance.

Contingency arrangements

- 3.35** We recognise that there may be times where the Faster Payments RCMS system is not available – such as for planned maintenance or unexpectedly (for example, due to technical issues faced by either a PSP or by Pay.UK).
- 3.36** We propose that, from 1 May 2025:
- If Pay.UK notifies a PSP that the Faster Payments RCMS will not be available for less than 30 days, reporting must be undertaken using the method specified by Pay.UK.
 - If the RCMS is not available to an in-scope PSP in respect of its reporting obligations for 30 days or more, reporting standard A shall apply for the period it is not available. If the period is less than three months, the reporting period will be that entire period. If it is three months or more, the reporting period will be any partial month and any other month during the period.
 - If a PSP is unable to access the RCMS (but has not been informed by Pay.UK that the RCMS is unavailable), then they must contact Pay.UK by the means Pay.UK has specified, to ascertain and seek to resolve the cause of the issue and by what means they must comply with the requirements in SD20.

Question 7: Do you agree with the proposed contingency arrangements? If not, why not, and what alternative would you suggest?

Delivery of the proposed requirements through amendments to SD20

- 3.37** Amending SD20 is the simplest and most effective way to implement the remaining elements of our Faster Payments APP scams reimbursement policy. It already requires PSPs to comply with the FPS reimbursement rules (which contain the APP scams reimbursement requirement). Placing PSPs' Faster Payments APP scams reimbursement legal obligations within one specific direction will make it easier for PSPs to implement the remaining aspects of the policy.
- 3.38** SD20 should be read alongside the Faster Payments rules, FPS reimbursement rules and the PSR's other Faster Payments APP scams requirements, particularly SD19 and SR1.
- 3.39** For clarity, we are not proposing any changes to the powers exercised, or the requirements that have already been consulted on and subsequently finalised.
- 3.40** The proposed amendments to SD20 that we are seeking input on are limited to those set out in this consultation. In addition to delivering the data and information reporting requirements, we are also proposing other amendments to SD20 to implement the policy. These are set out in the next chapter.
- 3.41** We have provided an updated SD20 in Annex 3, with all proposed amendments shown as tracked changes.

4 Using Pay.UK's system for Faster Payments APP scams reimbursement

This chapter sets out proposals that will support effective and smooth implementation of the policy and PSP compliance with the monitoring requirements. It proposes placing requirements on in-scope PSPs to:

- register with Pay.UK as a user of its RCMS by 20 August 2024
- comply with the FPS rule that requires them to use the RCMS for FPS APP scam claim assessment, communication and data reporting

Registration will enable delivery of a directory function from the policy start date through which the sending PSP will be able to find contact details for the receiving PSP, so that they can communicate in respect of FPS APP scam claims. It will also support Pay.UK to effectively phase the onboarding of all PSPs to the RCMS by 1 May 2025.

We propose to deliver these requirements through amendments to Specific Direction 20.

Requiring all PSPs to register with Pay.UK as an RCMS user

- 4.1** Pay.UK is inserting new rules into the FPS rules, requiring all PSPs to register as users of the RCMS by 20 August 2024. This will facilitate onboarding of all directed PSPs ahead of the policy start date and enable delivery of a directory where PSPs will be able find contact details for one another and so support them in managing FPS APP scam claims.
- 4.2** We propose to include a requirement in SD20 for PSPs to register with Pay.UK. This will mean both direct and indirect PSPs are required to register. This is important as Pay.UK's Faster Payments rules currently only apply to direct participants in the Faster Payments Scheme.
- 4.3** PSPs will be required to register using the method, and providing the information, that Pay.UK specifies in its rules. The kinds of information we anticipate PSPs will have to provide to Pay.UK to register, include:
- PSP name (as recorded in the Financial Conduct Authority (FCA) financial services register)
 - PSP registered location
 - PSP identification (the ranges of sort codes and account numbers for which a PSP can send or receive Faster Payments, operated by the PSP under authorisation in the United Kingdom)

- the type of interface preference required (application programming interface (API) or user interface (UI))
- PSP contact details (for example, named contacts, roles, individual contact email addresses, contact phone numbers)
- nominated account details for receiving reimbursable contribution amounts and repatriated funds

4.4 PSPs that are new entrants to the Faster Payments Scheme and provide relevant accounts at any date after the PSR direction is given, and while it continues in force, must register with Pay.UK before sending or receiving live transactions using Faster Payments.

Question 8: Please provide your views on the requirements for PSPs to register as an RCMS user. If you disagree please provide your views on any alternative options for delivering this.

Question 9: Should registration be completed by the proposed date of 20 August 2024? If not, what date do you consider feasible and why?

PSP compliance with the FPS reimbursement claim management system rule

4.5 Specific Requirement 1 requires Pay.UK to put the FPS reimbursement requirement into its FPS rules. This will create the FPS reimbursement rules, which Pay.UK is required to publish on its website by **7 June 2024**.

4.6 As part of updating its rules, Pay.UK intends to place a new rule into the FPS rules requiring PSPs to use the RCMS.

4.7 We propose to include a provision in SD20 to require all in-scope PSPs to comply with Pay.UK's rule to use the RCMS. This will mean the requirement applies to all PSPs, both direct and indirect.

4.8 The RCMS will be available to PSPs by 7 October 2024, with limited functionality. Specifically, we expect the RCMS will enable the sending PSP to find contact details for the receiving PSP to allow the sending PSP to communicate with the receiving PSP about FPS APP scam claims received.

4.9 Once fully functional, Pay.UK's RCMS will include the capability:

- for the sending PSP to log an FPS APP scam claim and notify the receiving PSP that the claim has been raised
- for sending and receiving PSPs to communicate in respect of APP scam claim assessments – including for the sending PSP to notify the receiving PSP of their decision in respect of a claim, and of the reimbursable contribution amount
- to automate the reporting of Faster Payments APP scam data and information, in line with the requirements set out in SD20 (which will be finalised following this consultation)

4.10 It is at this point, only after the RCMS is fully functional, that we propose that all PSPs move to reporting standard B, making data on a fuller set of metrics available to Pay.UK.

4.11 This approach will support effective implementation because:

- without the PSR giving this direction, only Faster Payments members (direct participants) would be required to comply with the FPS rule and use the RCMS, diluting its benefits
- requiring all PSPs to use the RCMS will provide a secure environment in which PSPs can communicate in respect of reported FPS APP scam claims, and manage these claims
- the RCMS will automate the provision of data to Pay.UK, reducing the reporting impact on PSPs and enabling Pay.UK to effectively monitor compliance with the FPS reimbursement rules, using good-quality data
- this mirrors our approach to implementing the other aspects of the policy, to ensure it applies consistently to all PSPs (direct and indirect)

4.12 The proposed approach aligns with feedback we received through previous consultations, summarised in [CP23/10, *Specific direction on Faster Payments participants: Implementing the reimbursement requirement*](#) (see Chapter 4 of that document). Respondents highlighted the challenges associated with PSPs of different sizes being able to communicate effectively within the timescales required for reimbursement, the risks of using non-secure systems to handle data, and the need for a single claim-management system to handle both claim management and compliance monitoring.

4.13 We recognise that some PSPs in scope of the policy may have concerns about the cost of using the RCMS, particularly where they may not currently process many (or indeed any) FPS APP scam claims. Pay.UK is considering pricing structures and assessing options to ensure it adopts a fair and proportionate approach. We have provided additional pricing information in our cost benefit analysis at Annex 5.

4.14 We consider that this approach remains proportionate because it will deliver benefits to all PSPs, and reduce the manual reporting burden that would exist if PSPs were not using the same system. Even PSPs that do not process many FPS APP scam claims will benefit from this approach. Once onboarded to the RCMS, 'nil return' reporting will be automated. Given the significant impact of Faster Payments APP scams on consumers, we consider this is a proportionate and justified approach to take.

4.15 We welcome your views on this proposal as part of this consultation.

Question 10: Please provide your views on our proposal to require all PSPs in scope of the policy to use Pay.UK's RCMS to achieve the stated goals. If you do not support the proposal, what do you consider are the alternative options to deliver effective communication, claim management and data reporting for all PSPs?

Date for compliance with the FPS reimbursement claim management system rule

4.16 Following this consultation and our consideration of the input we receive, should we decide to direct PSPs to comply with Pay.UK's RCMS rule, we propose a date of 1 May 2025. This is just over six months after the policy start date, and the same date that we propose reporting standard B comes into effect. We propose this timeframe to allow a period for 'embedding' new processes and adjustments to be made.

4.17 While we expect a majority of PSPs to have been able to onboard to the RCMS prior to this date, we recognise that there is significant work underway by industry and Pay.UK to prepare for the policy start date of 7 October 2024 and we want to support effective implementation across all aspects of the policy while managing the burden on PSPs and Pay.UK.

Question 11: Do you consider that the proposed date for requiring compliance with the RCMS rule is achievable? If not, what do you propose as an alternative date and why?

5 Information management and record keeping

In this chapter we set out proposals for requiring in-scope PSPs to assure themselves of the quality, accuracy and integrity of the data and information they will be providing to Pay.UK, to support effective compliance monitoring.

We also propose that in-scope PSPs be required to respond to timely, accurate and appropriately scoped requests for data and information from Pay.UK. This is to enable Pay.UK to effectively monitor and manage compliance where it has the powers to do so, while placing reasonable and proportionate limits on the requests that PSPs are required to respond to. We have provided examples of the types of data and information requests that we consider PSPs should be required to respond to.

We also propose that PSPs be required to retain all data within the CDRS for a period of five years from the date of collection. This will ensure that all information that Pay.UK may need to monitor and manage compliance is available to it. These proposals will place clear obligations on PSPs in respect of information collation, retention and provision.

Information and record-keeping provisions

5.1 We propose to amend SD20 to place requirements on PSPs in scope of the direction to collate, retain and provide data and information to Pay.UK, and assure themselves as to its quality. We are seeking views on the following proposed requirements:

- All PSPs must collate and retain all data and information specified in the CDRS and other information relevant to the FPS APP scam claim. This information must be retained for five years.
- PSPs must comply with the CDRS, which we will publish. This will contain the data and information that PSPs will be required to collate and retain, and set out which data is required to be provided to Pay.UK under each of the different reporting standards (see Chapter 3 of this document for more details).
- PSPs must take appropriate and reasonable steps to assure themselves as to the accuracy of the data and information relevant to the FPS APP scam claim, before providing it to Pay.UK.
- PSPs must provide timely, complete and accurate responses to reasonable and proportionate requests for information from Pay.UK that are appropriately scoped. Pay.UK will set what constitutes a timely response, having regard to the nature of the response.

We are proposing that reasonable and proportionate requests for information include, but are not limited to, requests that are appropriately scoped to:

- enable Pay.UK to undertake its responsibilities under SD19
- relate to Pay.UK’s role in monitoring and assuring the quality, accuracy, completeness and integrity of the data received
- enable Pay.UK to undertake enhanced monitoring in response to any potential compliance issues identified

5.2 PSPs are not required to respond to any requests for information from Pay.UK that do not relate to Pay.UK undertaking its responsibilities in SD19 or are not pursuant to any relevant guidance or direction issued by the PSR concerning the FPS reimbursement requirement or the FPS reimbursement rules.

5.3 PSPs must ensure data and information is retained in a secure manner that is compatible with relevant legislation, including the UK GDPR.

5.4 We propose that these requirements apply regardless of the reporting standard in place.

Responding to reasonable requests for information

5.5 We have provided a table with examples of the types of information that may be considered ‘reasonable requests for information’ from Pay.UK, and that would be subject to appropriate scoping of any such request.

Table 2: Examples of reasonable requests for information, subject to appropriate scoping

Example categories of reasonable requests for information	Examples of information within this category
Information enabling Pay.UK to monitor compliance with the FPS reimbursement rules	<p>Anonymised details of requests for information that the sending PSP has made of the consumer or receiving PSP</p> <p>Additional detail to explain or justify the rationale for an alert being triggered. This could include a request for an independent control function (e.g. Risk, Compliance or Audit) to validate whether a firm is consistently compliant with the requirements</p> <p>A request to clarify information contained in a report pulled from the RCMS where a PSP is an outlier against a relative KPI (or KPIs)</p> <p>Information on the steps a PSP has taken to address potential compliance issues or in response to system alerts</p>

Information enabling Pay.UK to manage compliance with the FPS reimbursement rules

Information requested as part of Pay.UK's consequence management framework (direct participants only, indirect participants on a voluntary basis)

Data to enable Pay.UK to undertake random sampling of PSP compliance to enable monitoring against all metrics, whether reporting standard A or B is in place

Information that enables Pay.UK to assure itself as to the quality, accuracy and integrity of the data received

A response to queries where the data suggests there is an anomaly or inaccuracy

Evidence that any data accuracy issue has been resolved

Information that enables Pay.UK to undertake enhanced monitoring of direct PSPs

Information to support random sampling

Evidence that the PSP has undertaken any training offered by Pay.UK

Timely engagement in communications and bilateral discussions with Pay.UK including provision of requested information as part of those processes

Retention of all data and information within the CDRS

- 5.6** Under reporting standard A, we propose that PSPs must collate and retain all data and information contained within the Faster Payments CDRS. By this we mean all data under reporting standard A and B must be collated and retained, but only data under reporting standard A of the Faster Payments CDRS must also be reported to Pay.UK. For the avoidance of doubt, we also propose requiring that all information set out within the record-keeping section of the CDRS must also be retained by PSPs.
- 5.7** This is because we require PSPs to comply with all of the reimbursement requirements from 7 October 2024. This should ensure that all data and information that Pay.UK may need to identify potential non-compliance and manage compliance with the FPS reimbursement rules is available upon request. The data and information that must be retained is that which we expect PSPs will already be collecting as part of FPS APP scam claim management.

Information and record keeping – proposed timeframes

- 5.8** We propose that data and information collected under SD20 and contained within the CDRS must be retained for five years from the date of collection.
- 5.9** This will ensure Pay.UK can undertake compliance monitoring and any subsequent compliance management activities. It will also ensure that the PSR is able to proceed with any regulatory interventions, which may include formal enforcement activities. We recognise the

important principle of only requiring data for the minimum necessary period and have taken that consideration in mind when proposing this period.

5.10 We also note that some cases may be complex or the subject of other proceedings and are seeking to ensure that data remains available to support any activities or interventions where this is the case. The proposed period of five years is in line with current FCA record-keeping requirements across a number of areas.

Question 12: Do you agree that PSPs should retain Faster Payments APP scams compliance data and information as proposed in SD20 and the CDRS?

Question 13: Do you agree that this data and information must be retained for a period of five years? If not, what do you consider reasonable?

6 Obligations on Pay.UK

In this chapter we set out our proposals for placing additional requirements on Pay.UK to ensure delivery of an effective and proportionate compliance monitoring regime. Our proposed changes to SR1 are largely operational to support effective implementation. This includes clarifying the circumstances in which Pay.UK is required to notify the PSR of changes to its rules or to make us aware if there are issues with the RCMS. These proposals will deliver on our policy intent.

We also propose amendments to SD19 that will place responsibilities on Pay.UK. These include:

- requiring Pay.UK to provide the capabilities for PSPs to onboard to the RCMS
- limiting the use and disclosure of information Pay.UK receives from PSPs

Placing obligations on both PSPs and Pay.UK means that each party will be able to comply with the requirements placed upon them.

We also propose amendments to ensure that consumers are informed of their rights under the policy, to be delivered through amendments to SR1 and SD20. These will also clarify our policy intent where there are multiple receiving PSPs.

Proposed amendments to Specific Requirement 1

6.1 Table 3 provides an overview of the proposed amendments to SR1. We are not proposing amendments to the existing provisions in SR1, and are therefore not seeking any input on those.

Table 3: Proposed changes to SR1

The 'rule change' notification requirement

We propose to limit the circumstances in which Pay.UK must notify the PSR of its intention to change its rules, to:

the FPS reimbursement rules

the RCMS system rule

the consumer rights rules

This ensures Pay.UK continues to own its rules while notifying PSR of any changes that are material to the Faster Payments APP scams reimbursement policy.

Clarifying our policy intent where an APP scam claim features multiple receiving PSPs

We propose to amend SR1 to clarify that, in circumstances where an APP scam claim features more than one receiving PSP, each receiving PSPs may only deduct, from their reimbursable contribution, a proportion of 50% of the maximum claim excess amount from their specified amount, and that the deduction they may make shall be proportionate to their overall liability for the reimbursable portion of the APP scam claim in question.

<p>This is to ensure that, where there are multiple receiving PSPs as part of an FPS APP scam claim, each PSP does not individually deduct the full 50% of the maximum claim excess amount from their specified amount.</p>	
<p>Clarifying when an FPS APP scam claim can be closed</p>	<p>We propose to amend SR1 to clarify that an FPS APP scam claim may not be closed until the sending PSP, after receipt of a claim, has assessed whether it includes any reimbursable APP scam payments, and has either reimbursed the consumer for any such payments, or rejected the claim in the absence of such payments.</p> <p>This is to ensure that, if a sending PSP chooses to automatically reimburse certain APP scam claims, before making an assessment as to whether they include any reimbursable APP scam payments, they may only seek a contribution to the costs of reimbursement from a receiving PSP when they have actually assessed that the claim includes any reimbursable APP scam payments.</p>
<p>Clarifying our expectation on a consumer's rights under the rules</p>	<p>We propose to amend SR1 to make clear that PSPs' compliance with the reimbursement requirement and rules is ancillary to their execution of payment transactions using Faster Payments.</p> <p>We are also seeking views on two options to clarify that consumers have the right to reimbursement under the requirement and rules, either of which will involve an amendment to SD20. There will also be an additional amendment to SD20 to ensure that all consumers are aware of their rights under FPS APP scams reimbursement requirement and that they have a right to take their claim to the Financial Ombudsman Service and/or the courts . The options are set out below.</p>

The 'rule change notification requirement'

- 6.2** We published SR1 in December 2023. It obliges Pay.UK to produce the outcomes in SR1 (the reimbursement policy requirements) through amendments to its rules. Pay.UK has therefore created the FPS reimbursement rules.
- 6.3** Part 6 of SR1 requires Pay.UK to notify the PSR of:
- any proposed changes to the FPS reimbursement rules implemented under this specific requirement
 - any potential changes to the Faster Payments Scheme rules
- 6.4** We intended to require Pay.UK to notify the PSR of changes to the FPS reimbursement rules – not of any and all proposed changes to the FPS rules. Such a requirement would place an undue burden on Pay.UK, as well as on us to consider and respond to any such notification. This is because we consider it necessary to remain informed of any proposed rule changes that may impact the FPS reimbursement requirement.

- 6.5** Pay.UK is the operator of Faster Payments and retains ownership of, and responsibility for, its rules, systems and processes. It is therefore generally for Pay.UK to consider when changes are required to its FPS rules. Should the PSR have any issues or concerns with any rule changes proposed by Pay.UK, we would consider what, if any, of our powers we may use to resolve this.
- 6.6** We propose to limit the circumstances in which Pay.UK must notify the PSR of proposed rule changes, to changes to the:
- FPS reimbursement rules
 - FPS reimbursement claim management system rule
 - FPS consumer rights rules
- 6.7** This is important because:
- the PSR is consulting on requiring PSPs in scope of the policy to use Pay.UK's RCMS
 - any change to the RCMS rule or consumer rights rules could have an impact on the implementation and operation of the policy
 - we need to ensure any proposed change is reasonable and proportionate, and does not have an impact on our proposal in SD20 to require PSPs to use the RCMS
- 6.8** We have provided an updated SR1, with the amendments and additions in tracked changes, in Annex 4.

Question 14: Do you have any comments on the obligations we propose to place on Pay.UK?

Clarifying our expectation on a consumer's right to reimbursement under the rules

- 6.9** In our December 2023 publication we stated that the FPS reimbursement requirement and FPS reimbursement rules are part and parcel of the Faster Payments rules. We propose an amendment to SR1 to make this explicit within the FPS rules.
- 6.10** We are considering two options to clarify the consumer's right to reimbursement in accordance with the reimbursement rules:
- The first is an amendment to specific direction 20 to require PSPs to amend their contractual terms and conditions with the consumer, to include a provision that a PSP would reimburse their consumers in line with the reimbursement requirement and rules.
 - The second is an amendment to specific direction 20 (as currently drafted in Annex 3) to make it explicit that if a sending PSP fails to reimburse a consumer as required by the reimbursement requirement and rules, the consumer will have a right to enforce the FPS reimbursement requirement and rules and recover the outstanding amount from their sending PSP in the civil courts.
- 6.11** We recognise there may be a cost and administrative burden in bringing in the first option by 7 October 2024 and we are seeking your views on what the relative costs and burdens may be, if any, above and beyond the requirement to notify consumers of their rights as set out

below. We are interested in views on what a reasonable timescale for introducing this requirement may be, or whether a phased approach might be more appropriate.

- 6.12** Both options will require an amendment to specific direction 20 for PSPs to notify consumers of their rights to be reimbursed in line with the FPS reimbursement requirement and rules. We expect PSPs to notify consumers of their rights, in line with how they would notify them of changes to any other service. PSPs should continue to have regard to their obligations under the consumer duty. We see this amendment as important to building consumer trust and confidence in the system.
- 6.13** If a consumer is unhappy with how their PSP has assessed their APP scam claim under our policy, then they can take their complaint to the Financial Ombudsman Service. The ombudsman will consider what is fair and reasonable in circumstances regarding the individual complaint.
- 6.14** We consider the right to appeal to the Financial Ombudsman Service or the courts an important mechanism to deliver fair and consistent reimbursement outcomes for victims of APP scams. This is in line with our policy objectives.

Question 15: We are seeking your views on the proposed options, including the relative costs, benefits and timescales.

Clarifying our policy intent where an FPS APP scam claim features multiple receiving PSPs

- 6.15** In SR1, we published a rule that would allow, in circumstances where a sending PSP has chosen not to deduct the maximum claim excess amount from its reimbursement to a victim, the receiving PSP to deduct 50% of the maximum claim excess amount from its contribution amount. We state:
- 'If the sending PSP chooses not to apply the maximum claim excess value ... the receiving PSP may deduct 50% of the maximum claim excess amount from the specified amount.'¹
- 6.16** During engagement with our stakeholders since the publication of SR1 several felt that the drafting of paragraph 5.13 could be read in such a way as to allow each receiving PSP, in an APP scam claim featuring multiple receiving PSPs, to individually deduct 50% of the maximum claim excess amount from their reimbursement contributions. They felt that this would be unfair to a sending PSP, which in some situations would not be able to secure any significant contribution to the cost of reimbursing a victim.
- 6.17** To avoid this situation arising, we propose amendments to Specific Requirement 1 to make it clear that:
- where there are multiple receiving PSPs in a single FPS APP scam claim, those receiving PSPs may share between them the value of 50% of the maximum claim excess amount

¹ [Specific Requirement 1 \(December 2023\), paragraph 5.13.](#)

- subject to the previous point, the share that each receiving PSP may choose to deduct from their specified amount shall be in proportion to their overall liability for the reimbursable portion of the APP scam claim in question, to be determined through rules set by Pay.UK.
- by clarifying this, we are ensuring that our policy intent is fully reflected in our legal instruments, and that sending PSPs do not inadvertently shoulder disproportionate sums when reimbursing victims.

Question 16: Do you have any comments on the proposed amendments set out in this section?

Clarifying when an FPS APP scam claim can be closed

6.18 In SR1 we published a rule (at paragraph 5.8) which specifies that:

- ‘An FPS APP scam claim may be closed either by reimbursement of the consumer where appropriate or by rejection of the claim, with an explanation of the reasons.’²

6.19 This was intended to make clear that a claim may only be closed by reimbursing the consumer or rejecting the claim. During our subsequent engagement with PSPs, several have suggested that, where they are the sending PSP in receipt of an FPS APP scam claim, they may choose to reimburse some claims in advance of completing their assessment. This may be more common for claims that fall below a certain value or risk profile. Several PSPs shared the view that under the current drafting a receiving PSP may be required to contribute towards the reimbursement costs of any claim that had been reimbursed before the assessment by the sending PSP.

6.20 To clarify this, we propose amendments to SR1 to make it clear that a sending PSP may only close an FPS APP scam claim having undertaken an assessment as to whether it includes any reimbursable APP scam payments. If a sending PSP chooses to reimburse a claim before completing the assessment, and then subsequently assesses that the claim did not include any reimbursable APP scam payments, then this would be regarded as voluntary reimbursement for the purposes of SR1, and no receiving PSP would be required to contribute to the cost of reimbursement.

Question 17: Do you have any comments on the proposed amendments set out in this section?

Proposed amendments to Specific Direction 19

6.21 Table 4 provides an overview of the proposed amendments to SD19. A draft SD19 with the additions or proposed amendments as tracked changes is in Annex 2. We are not proposing amendments to the existing provisions in SD19 and are therefore not seeking any input on those.

² Specific Requirement 1 (December 2023), paragraph 5.8.

Table 4: Proposed changes to SD19

Limits on Pay.UK's use of data and information	We propose to limit Pay.UK's use of the data and information it receives through the RCMS and from PSPs. We also propose to limit Pay.UK's ability to disclose confidential information to the PSR and/or to meet any other regulatory or legal obligation or requirement (limited to those set out in the draft direction).
Pay.UK's RCMS – notification requirements	We propose to require Pay.UK to notify PSPs and the PSR if the RCMS is unavailable, and when it becomes available again following unavailability.
Pay.UK requirement to provide onboarding capabilities to PSPs	We propose to require Pay.UK to make the necessary onboarding capabilities available to all PSPs, to enable them to comply with their obligations under SD20 and in preparation for the shift to reporting standard B on 1 May 2025.

Pay.UK's permitted use of data and information

- 6.22** Pay.UK's RCMS will hold significant data and information from PSPs, in respect of FPS APP scam claims and claim outcomes. Across all firms in scope of the policy, this represents a large dataset.
- 6.23** Pay.UK will not have access to claim-level data (i.e. information about individual consumer claims) or personal data. PSPs' responses to Pay.UK's requests for further information as part of compliance monitoring or management must also exclude such data.
- 6.24** However, to enable it to fulfil its compliance monitoring role effectively in line with SD19, Pay.UK will have access to confidential data at PSP level. In our proposed amendments to SD19, we have set out the parameters for Pay.UK's use of the data and information it obtains, and defined 'FPS reimbursement information' and 'confidential FPS reimbursement information' for this purpose.
- 6.25** We propose to amend SD19 to:
- provide that any data or information must only be used for it to fulfil its functions under SD19
 - require that Pay.UK may only disclose confidential information received in the course of fulfilling its obligations under SD19 to the PSR, unless it is being disclosed in fulfilment of an obligation to disclose it to another regulator, fulfil a court order, or fulfil another statutory obligation that takes precedence.
- 6.26** We note this does not prevent disclosure of confidential information to another party to fulfil another statutory obligation which takes precedence, an obligation to disclose to another regulator, or a court order.

- 6.27** These proposals act as a necessary consumer protection, and will ensure Pay.UK's use of data is appropriately limited. We have carefully considered whether it is appropriate for Pay.UK to have the ability to disclose any information received to any party other than the PSR or other than in fulfilment of any other legal obligation.
- 6.28** It is our view that, as Pay.UK is discharging a limited function to monitor compliance with the FPS reimbursement rules, there is no reason why Pay.UK should need or be able to use the data and information received for any other purpose. Any sharing of data received by Pay.UK under its monitoring regime with other parties, such as other regulators, would be done by the PSR in line with our existing policies and procedures. Where appropriate, we would seek to use existing gateways to share this information..

Question 18: Please provide your views on the proposed limits on the use and disclosure of Faster Payments APP scams compliance data and information by Pay.UK. If you disagree, please provide your rationale.

Pay.UK's RCMS – notification requirements

- 6.29** In Chapter 3 we have outlined our proposals for PSPs to provide data to Pay.UK when the RCMS is not available, such as due to an unexpected technical issue or planned maintenance.
- 6.30** While our engagement with Pay.UK indicates that the RCMS will have built-in resiliency and that outages are likely to be rare, we think it is important to provide clarity to all PSPs on what is required of them in these circumstances.
- 6.31** We therefore propose that where the RCMS is unavailable for a specified period (to be set by Pay.UK) that Pay.UK must:
- notify PSPs promptly when the system is unavailable for a specified period (the specified period is to be set by Pay.UK, and must be less than 30 days); this is to provide clarity to PSPs on their reporting obligations where the system is unavailable for a short period
 - specify the method that PSPs must use to fulfil the data reporting requirements in SD20, where the RCMS will be unavailable for a period of less than 30 days
 - notify the PSR where the RCMS is unavailable for longer than 30 days
 - notify PSPs and the PSR when the system is available again; by 'available' we mean fully functional and allowing PSPs to manage FPS APP scam claims, communicate in respect of claims, and provide data and information to Pay.UK

Requirement for Pay.UK to make arrangements for PSPs to onboard to the RCMS

- 6.32** We propose requiring all PSPs to take the necessary steps to onboard to Pay.UK's RCMS by 30 April 2025. This will be delivered through amendments to SD20 on PSPs. We set out this proposal in more detail in Chapter 4.
- 6.33** Alongside this, we propose to require Pay.UK to make the necessary arrangements for all directed PSPs to be able to onboard to the RCMS by 30 April 2025. This will enable them to comply with their obligations under SD20 and be ready for the shift to reporting standard B on 1 May 2025.

6.34 This approach means there are obligations on both PSPs and Pay.UK to each complete what is required of them to ensure all PSPs are onboarded to the RCMS within the required timeframe. As Pay.UK sets its rules, operates its systems and processes, and is responsible for ensuring PSPs onboard to its RCMS in compliance with its FPS rules, it is important that Pay.UK delivers what is necessary to enable this compliance. This will support implementation of the policy and facilitate a smooth shift from reporting standard A to B.

7 Future changes to our legal instruments

We expect that Pay.UK, as the payment system operator (PSO) for Faster Payments, will continue to take an increasing role in maintaining and updating the FPS Scheme Rules which give effect to our APP scams reimbursement policy.

We do, however, recognise that there may be occasions, such as those outlined earlier in this consultation document, where potential revisions to the FPS reimbursement rules cannot be made without revisions first being made to our legal instruments.

In this chapter, we propose the principles that should guide when, and whether, we make any further revisions to our legal instruments.

Our proposal

- 7.1** Our expectation is that Pay.UK, as the PSO for Faster Payments, will continue to take an increasing role in maintaining and updating the FPS reimbursement rules which give effect to our APP scams reimbursement policy. Over time, it is likely that improvements will be identified to the operation of those reimbursement rules, and we will continue to support Pay.UK in making any revisions that help optimise the rules. We expect that, in the vast majority of cases, any revisions to the FPS reimbursement rules can be identified, designed, and implemented by Pay.UK, with the PSR playing a supporting role.
- 7.2** We do recognise that there may be rare occasions where certain revisions to the FPS reimbursement rules cannot be made without revisions first being made to our legal instruments, SR1, SD19, or SD20.
- 7.3** We also recognise that it is desirable for all stakeholders, including consumers, PSPs, Pay.UK, and others, that any revisions to our legal instruments take place in a predictable manner. This will make it easier for those revisions to be effectively operationalised by Pay.UK and PSPs alike.
- 7.4** We therefore propose that, in the future, where we deem it necessary to exercise our powers under Sections 54 or 55 of the Financial Services (Banking Reform) Act 2013 (FSBRA) to revise SR1, SD19, or SD20, we will endeavour to do so in accordance with the following principles:
- Wherever necessary changes to the FPS reimbursement rules can be made solely by amending the scheme rules, then Pay.UK should, working with PSPs and their representative bodies, take the leading role in making such amendments, with the PSR playing a supporting role.
 - Wherever necessary changes to the FPS reimbursement rules cannot be made without amending our legal instruments, so requiring us to exercise our statutory powers under

Sections 54 or 55 of FSBRA, then we will endeavour to issue any such amendments in the months of April and October in any given year.

- If an urgent change to the FPS reimbursement rules is required, that cannot be made without amending our legal instruments, we may consider issuing an amendment otherwise than in the months of April and October in any given year.

Question 19: Please provide your views on the principles we have suggested above. In particular, do you agree with the proposal that, where possible, the PSR should, seek to issue any necessary amendments to its legal instruments during the months of April and October in any given year? If not, please provide an alternative approach and the rationale for this.

8 Question summary

Please see below a complete list of the questions posed in this consultation paper.

- Question 1:** Do you agree with or otherwise have views on this proportionality assessment and our cost benefit analysis at Annex 5? Do you have any further evidence to provide that is relevant to this analysis?
- Question 2:** Please provide your views on whether the proposed approach to implementing reporting standards A and B balances effective management of compliance with the reporting burden on PSPs. If you do not support the proposed approach, please explain why.
- Question 3:** Do you have any comments on the draft CDRS? Please provide your views and reasoning.
- Question 4:** Please provide your views on the proposed date of 1 May 2025 for reporting standard B to come into effect.
- Question 5:** Please provide your views on how Pay.UK and the PSR could identify and manage complex cases, including any input on criteria we could use to identify such cases and how we could manage them.
- Question 6:** Please provide any views on the proposed approach for amending the Faster Payments compliance data reporting guidance.
- Question 7:** Do you agree with the proposed contingency arrangements? If not, why not and what alternative would you suggest?
- Question 8:** Please provide your views on the requirements for PSPs to register as an RCMS user. If you disagree, please provide your views on any alternative options for delivering this.
- Question 9:** Should registration be completed by the proposed date of 20 August 2024? If not, what date do you consider feasible and why?
- Question 10:** Please provide your views on our proposal to require all PSPs in scope of the policy to use Pay.UK's RCMS to achieve the stated goals. If you do not support the proposal, what do you consider are the alternative options to deliver effective communication, claim management and data reporting for all PSPs?
- Question 11:** Do you consider that the proposed date for requiring compliance with the RCMS rule is achievable? If not, what do you propose as an alternative date and why?
- Question 12:** Do you agree that PSPs should retain Faster Payments APP scams compliance data and information as proposed in SD20 and the CDRS?
- Question 13:** Do you agree that this data and information must be retained for a period of five years? If not, what do you consider reasonable?

- Question 14:** Do you have any comments on the obligations we propose to place on Pay.UK?
- Question 15:** We are seeking your views on the proposed options, including the relative costs, benefits and timescales.
- Question 16:** Do you have any comments on the proposed amendments set out in this section?
- Question 17:** Do you have any comments on the proposed amendments set out in this section?
- Question 18:** Please provide your views on the proposed limits on the use and disclosure of Faster Payments APP scams compliance data and information by Pay.UK. If you disagree, please provide your rationale.
- Question 19:** Please provide your views on the principles we have suggested above. In particular, do you agree with the proposal that, where possible, the PSR should, seek to issue any necessary amendments to its legal instruments during the months of April and/or October in any given year? If not, please provide an alternative approach and the rationale for this.

Annex 1

Faster Payments APP scams: compliance data reporting standards

Background

- 1.1** This Faster Payments APP Scams Compliance Data Reporting Standards (CDRS) contains the Faster Payments APP scams data and information that PSPs are required to collate and retain for the payment system operator (PSO) of Faster Payments, Pay.UK, for it to effectively monitor compliance with the FPS reimbursement rules.
- 1.2** It also sets out the data and information that PSPs must report to Pay.UK, drawn from that which is collated and retained, in two different reporting scenarios:
- Reporting standard A (under which the data must be reported by the sending PSP in respect of transactions they have sent)
 - Reporting standard B
- 1.3** For the avoidance of doubt, the same data and information must be collated and retained under reporting standards A and B. But that which must be reported to Pay.UK, differs.
- 1.4** The CDRS should be read alongside:
- Specific Direction 20 which requires PSPs to collate, retain and provide data to Pay.UK so that it can monitor compliance with the FPS reimbursement rules. It also requires PSPs to comply with the collation, retention and provision requirements set out in this guidance; i.e., compliance with the CDRS is required for compliance with Specific Direction 20
 - Specific Direction 19 on Pay.UK which obliges Pay.UK to create and maintain a Faster Payments APP scams compliance monitoring regime and sets out what the Faster Payments PSO can do with the information and data gathered
 - Specific Requirement 1 on Pay.UK which contains elements of the FPS reimbursement requirement and relevant Pay.UK documentation, including the FPS reimbursement rules and FPS rules.

Record-keeping

- 1.5** As part of monitoring PSPs' compliance with the Faster Payments APP scams legal directions and requirements, PSPs may be required to provide information on FPS APP scam claims received.
- 1.6** It is important that PSPs keep accurate records of the following:
- all customer communications and responses relating to an FPS APP scam claim, via any channel, and any subsequent communications
 - all communications between the PSP and any other party in respect of an FPS APP scam claim
 - all communications between the PSP and Pay.UK in relation to the PSP's Faster Payments APP scam reimbursement processes and/or any potential compliance issues
 - decision-making records about individual FPS APP scam claims
 - actions taken to remediate customers in relation to an FPS APP scam claim
 - any reports by first, second or third-line functions relating to systems and controls related to FPS APP scam claims (such as by the PSP's risk, compliance or audit departments).

Validity

- 1.7** This document, Version 1, is effective from 7 October 2024 until the date of a subsequent version.

Amendments

- 1.8** The PSR may update this document from time to time. The PSR will publish a notice of intention to amend this document on its website. Any changes will come into effect no sooner than 30 days following confirmation of the changes.

Code	Proposed PSR metrics	Code	Proposed PSR data points	Specific requirement (SR1)	Theme	Standard A		Standard B
						Reported under Standard A	Collated and retained under Standard A	Collated, retained and provided under Standard B
Of all the claims in the reporting period:								
1.1	Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment	1.1.1	Total volume of FPS APP scam claims that are deemed 'in scope' for assessment	General information required	APP Scam Claims Reported	✓	✓	✓
		1.1.2	Total value of FPS APP scam claims that are deemed 'in scope' for assessment			✓	✓	✓
1.2	Total volumes and values of FPS APP scam claims reported by consumers that are deemed 'in scope' for assessment, broken down by scam type: (i) Purchase Scam (ii) Investment Scam (iii) Romance Scam (iv) Advance Fee Scam (v) Invoice and Mandate Scam (vi) Impersonation Scam: Police/Bank Staff (vii) Impersonation Scam: Other	1.2.1	Total volume of FPS APP scam claims that are deemed 'in scope' for assessment, broken down by scam type				✓	✓
		1.2.2	Total value of FPS APP scam claims that are deemed 'in scope' for assessment broken down by scam type				✓	✓

Code	Proposed PSR metrics	Code	Proposed PSR data points	Specific requirement (SR1)	Theme	Standard A		Standard B
						Reported under Standard A	Collated and retained under Standard A	Collated, retained and provided under Standard B
Of the total Faster Payments APP scam claims in the reporting period that are deemed "in-scope" for assessment:								
2.1	Total volumes and values of FPS APP scam claims that are reimbursable	2.1.1	Total volume of FPS APP scam claims that are reimbursable	General information required	Claim Assessment	✓	✓	✓
		2.1.2	Total value of FPS APP scam claims that are reimbursable			✓	✓	✓
2.2	Total volumes and values of FPS APP scam claims that are not reimbursable	2.2.1	Total volume of FPS APP scam claims that are not reimbursable			✓	✓	✓
		2.2.2	Total value of FPS APP scam claims that are not reimbursable			✓	✓	✓
2.3	Total volumes and values of FPS APP scam claims that are not reimbursable, with reason codes for rejection: (i) Payments made before 7 October 2024 (ii) Payments made for unlawful purposes (iii) Payments which take place across other payment systems (Non-FPS payments) (iv) International payments (v) Civil disputes (vi) Claimant does not meet the definition of a consumer (vii) Payments do not meet the definition of an APP scam (viii) Consumer standard of caution (ix) Time limit for FPS APP scam claims (13 months) (x) First-party fraud	2.3.1	Total volume of FPS APP scam claims that are not reimbursable, with reason codes				✓	✓
		2.3.2	Total value of FPS APP scam claims that are not reimbursable, with reason codes				✓	✓

Code	Proposed PSR metrics	Code	Proposed PSR data points	Specific requirement (SR1)	Theme	Standard A		Standard B
						Reported under Standard A	Collated and retained under Standard A	Collated, retained and provided under Standard B
3.1	Total volumes and values of FPS APP scam claims closed within five business days	3.1.1	Total volume of FPS APP scam claims closed (from consumer reporting of the FPS APP scam claim to consumer reimbursement or claim rejection) within the five business days	5.1 Time limit for reimbursement – reimburse within 5 business days of FPS APP scam claim unless stop the clock used (and if stop the clock used, the case must be closed by the end of the 35th business day following the reporting of the FPS APP scam FPS APP scam claim by the victim (or their agent) to the sending PSP 5.7 The sending PSP can stop the clock as many times as necessary. However, it must close the FPS APP scam claim before the end of the 35th business day	Timescales/ Stop the Clock	✓	✓	✓
		3.1.2	Total value of FPS APP scam claims closed (from consumer reporting of the FPS APP scam claim to consumer reimbursement or claim rejection) within the five business days			✓	✓	✓
3.2	Total volumes and values of FPS APP scam claims closed within 35 business days	3.2.1	Total volume of FPS APP scam claims closed (from consumer reporting of the FPS APP scam claim to consumer reimbursement) within 35 business days			✓	✓	✓
		3.2.2	Total value of FPS APP scam claims closed (from consumer reporting of the FPS APP scam claim to consumer reimbursement) within 35 business days			✓	✓	✓
3.3	Stop the clock usage per FPS APP scam claim with reason codes: (i) to gather information from the victim(s) (or their agent) or the receiving PSP to assess whether the claim is a reimbursable FPS APP scam claim (ii) to verify that a claims management company is submitting a legitimate claim – for example, validating that the victim has authorised the company to submit a claim (iii) to gather additional information from a victim to assess their vulnerability (iv) in cases where the sending PSP has evidence of fraud on the part of the person who made the FPS APP scam claim, to gather additional information from the receiving PSP, law enforcement or other relevant parties (v) for multi-step scams, to gather additional information from the other PSPs involved	3.3.1	For FPS APP scam claims, by reason code, the total number of times stop the clock is used	5.4 PSPs can only stop the clock for the following reasons: a. to gather information from the victim(s) (or their agent) or the receiving PSP to assess whether the claim is a reimbursable FPS APP scam claim b. to verify that a claims management company is submitting a legitimate claim – for example, validating that the victim has authorised the company to submit a claim c. to gather additional information from a victim to assess their vulnerability d. in cases where the sending PSP has evidence of fraud on the part of the person who made the FPS APP scam claim, to gather additional information from the receiving PSP, law enforcement or other relevant parties e. for multi-step scams, to gather additional information from the other PSPs involved			✓	✓
		3.3.2	Total volume of FPS APP scam claims where stop the clock is used at least once				✓	✓

Code	Proposed PSR metrics	Code	Proposed PSR data points	Specific requirement (SR1)	Theme	Standard A		Standard B
						Reported under Standard A	Collated and retained under Standard A	Collated, retained and provided under Standard B
4.1	Total volume and value of FPS APP scam claims where the sending PSP informed the receiving PSP of the claim within the notification period	4.1.1	Total volume of FPS APP scam claims where the sending PSP informed the receiving PSP of the claim within the notification period as defined in the FPS reimbursement rules	5.9 When an FPS APP scam claim is reported to the sending PSP, it must tell the receiving PSP within the notification period, in order to maximise the opportunity for repatriating stolen funds	Inter-PSP Communication	✓	✓	✓
		4.1.2	Total value of FPS APP scam claims where the sending PSP informed the receiving PSP of the claim within the notification period as defined in the FPS reimbursement rules			✓	✓	✓
4.2	Total volume and value of FPS APP scam claims where the receiving PSP responded to information requests from the sending PSP in a timely and accurate manner, as defined by Pay.UK	4.2.1	Total volume of FPS APP scam claims where the receiving PSP responded to information requests from the sending PSP in a timely manner	5.6 A receiving PSP that receives a request from a sending PSP to provide information in relation to a reported FPS APP scam claim must respond in a timely and accurate manner.			✓	✓
		4.2.2	Total value of FPS APP scam claims where the receiving PSP responded to information requests from the sending PSP in a timely manner				✓	✓
5.1	Total volume and values of FPS APP scam claims where consumer standard of caution exception is applied	5.1.1	Total volume of FPS APP scam claims rejected as the consumer standard of caution exception was applied	4.2 PSPs are not required to reimburse any FPS APP scam payments where the consumer standard of caution exception applies	Exceptions	✓	✓	✓
		5.1.2	Total value of FPS APP scam claims rejected as the consumer standard of caution exception was applied			✓	✓	✓
5.2	Total volumes and values of FPS APP scam claims where the consumer standard of caution exception is applied, with reason codes: (i) The requirement to have regard to interventions (ii) The prompt reporting requirement (iii) The information sharing requirement (iv) The police reporting requirement	5.2.1	Total volume of FPS APP scam claims where the consumer standard of caution exception is applied, with reason codes				✓	✓
		5.2.2	Total value of FPS APP scam claims where the consumer standard of caution exception is applied, with reason codes				✓	✓
5.3	Total volumes and values of FPS APP scam claims where the value of the claim is above the maximum level of reimbursement (£415,000)	5.3.1	Total volume of FPS APP scam claims where the value of the claim is above the maximum level of reimbursement	4.4 PSPs are not required to reimburse APP scam victims above the maximum level of reimbursement. The maximum level of reimbursement applies to each FPS APP scam claim.			✓	✓
		5.3.2	Total value of FPS APP scam claims where the value of the claim is above the maximum level of reimbursement				✓	✓

Code	Proposed PSR metrics	Code	Proposed PSR data points	Specific requirement (SR1)	Theme	Standard A		Standard B
						Reported under Standard A	Collated and retained under Standard A	Collated, retained and provided under Standard B
6.1	Total volumes and values of FPS APP scam claims where an excess was applied	6.1.1	Total volume of FPS APP scam claims where an excess was applied	5.16 Sending PSPs may apply a single claim excess to each FPS APP scam claim, up to the maximum claim excess value set by the PSR and published on its website. Sending PSPs may deduct the amount of any permitted excess from the amount they would otherwise be required to reimburse to the victim.	Excess		✓	✓
		6.1.2	Total value of FPS APP scam claims where an excess was applied				✓	✓
7.1	Total volume and value of FPS APP scam claims from consumers assessed as vulnerable	7.1.1	Total volume of FPS APP scam claims where the consumer was identified as vulnerable	4.2 PSPs may not apply the consumer standard of caution if the victim was a vulnerable consumer when they made a reimbursable FPS APP scam payment and this had a material impact on their ability to protect themselves from the APP scam.	Vulnerability	✓	✓	✓
		7.1.2	Total value of FPS APP scam claims where the consumer was assessed as vulnerable			✓	✓	✓
8.1	The total volume of FPS APP scam claims reimbursed and value of reimbursement to consumers	8.1.1	Total volume of FPS APP scam claims that are reimbursed to the consumer	General information required	Rate of Reimbursement	✓	✓	✓
		8.1.2	For FPS APP scam claims, the total value reimbursed to the consumer			✓	✓	✓
9.1	Total volumes and values of FPS APP scam claims where the sending PSP received the reimbursable contribution amount within the timeframe specified in the FPS reimbursement rules (5 business days)	9.1.1	Total volume of FPS APP scam claims where the sending PSP received the reimbursable contribution amount within the timeframe specified	5.12 The receiving PSP must pay the sending PSP the specified amount within a reasonable period of time. This period is to be defined by the FPS Scheme operator	Apportionment – Reimbursable Contribution	✓	✓	✓
		9.1.2	Total value of FPS APP scam claims where the sending PSP received the reimbursable contribution amount within the timeframe specified			✓	✓	✓
9.2	Average time taken for the reimbursable contribution amount to be paid by the receiving PSP to the sending PSP	9.2.1	For FPS APP scam claims, total time taken by the receiving PSP to pay the reimbursable contribution amount to the sending PSP				✓	✓
		9.2.2	Total volume of FPS APP scam claims where the sending PSP informed the receiving PSP of the reimbursable contribution amount				✓	✓

Code	Proposed PSR metrics	Code	Proposed PSR data points	Specific requirement (SR1)	Theme	Standard A		Standard B
						Reported under Standard A	Collated and retained under Standard A	Collated, retained and provided under Standard B
9.3	Total volume and value of FPS APP scam claims where the PSP has repatriated funds	9.3.1	Total volume of FPS APP scam claims where receiving PSP has repatriated funds in the reporting period	5.14 Where a receiving PSP is able to repatriate funds in an FPS APP scam claim and the sending PSP has already reimbursed the victim, the repatriated funds should be apportioned as follows: a. 50% each to the sending and receiving PSPs, subject to the following maximum amounts: 1. To the sending PSP, the required reimbursement amount, minus the specified amount. 2. To the receiving PSP, the specified amount, not including any amount deducted under paragraph 5.13. b. Any remainder to the victim.	Apportionment – Repatriated Funds		✓	✓
		9.3.2	Total value of FPS APP scam claims where receiving PSP has repatriated funds in the reporting period				✓	✓
9.4	Total value of repatriated funds for FPS APP scam claims	9.4.1	Total value of repatriated funds for FPS APP scam claims				✓	✓
9.5	Proportion of FPS APP scam claims where the repatriated value has been apportioned between the sending and receiving PSP in line with the policy	9.5.1	Total volume of FPS APP scam claims where repatriated funds have been apportioned between the sending and receiving PSP, in the reporting period				✓	✓
		9.5.2	Total volume of FPS APP scam claims where receiving PSP has repatriated funds in the reporting period		✓	✓		

Annex 2

DRAFT amended Specific Direction 19

DRAFT AMENDED

Specific Direction 19 imposing certain responsibilities on the Faster Payments ~~Scheme~~ operator in respect of the Faster Payments Scheme APP scam reimbursement rules

Specific Direction 19 (APP scams Faster Payments ~~Scheme~~ operator monitoring)

~~December 2023~~ [DATE] 2024

Specific Direction 19: APP scams Faster Payments ~~Scheme~~ operator monitoring

1 Recitals

Whereas:

- 1.1** Authorised push payment (APP) scams happen when a person uses a fraudulent or dishonest course of conduct to manipulate, deceive or persuade someone into sending money to an account outside of their control.
- 1.2** The Financial Services and Markets Act 2023 (FSMA 2023) places a statutory obligation on the Payment Systems Regulator (PSR) to introduce a reimbursement requirement for APP scam payments made using the Faster Payments Scheme by the end of February 2024.
- 1.3** The PSR has decided to implement a policy that requires APP scam victims to be reimbursed by the sending payment service provider (PSP). This is known as the FPS reimbursement requirement.
- 1.4** The PSR has decided to implement this policy by requiring the operator of the Faster Payments Scheme to put the FPS reimbursement requirement into the Faster Payments Scheme rules. The resulting rules will be known as the FPS reimbursement rules.
- 1.5** The PSR has also decided to direct participants in the Faster Payments Scheme to comply with the FPS reimbursement rules. This is to ensure that these rules apply to both members and non-members of the Faster Payments Scheme. This places all participants on an equal footing as far as possible, and ensures their consumers are treated the same whether or not their PSP is a member.

2 Powers exercised and purpose

- 2.1** The Faster Payments Scheme is designated by the Treasury as a regulated payment system under section 43 of Financial Services (Banking Reform) Act 2013 (FSBRA) for the purposes of Part 5 of FSBRA.
- 2.2** The PSR gives this specific direction in accordance with section 54(1) and (2) of FSBRA. In accordance with section 54(3)(c), this direction applies to a specified person.
- 2.3** Pay.UK is a payment system operator with responsibility for managing and operating the Faster Payments Scheme. This direction refers to the operator of the Faster Payments Scheme as the 'Faster Payments **Scheme**-operator'.
- 2.4** In making its decision to use its section 54 powers, the PSR had regard to section 62 of FSBRA (Duty to consider exercise of powers under the Competition Act 1998).
- 2.5** The PSR gives this specific direction in order to to require the Faster Payments **Scheme** operator to develop and implement an effective regime to monitor PSPs' compliance with the FPS reimbursement rules.

Direction

NOW the PSR gives the following specific direction to the Faster Payments ~~Scheme~~ operator:

3 Overall specific responsibilities of the Faster Payments ~~Scheme~~ operator

- 3.1** Under Specific Requirement 1, the Faster Payments ~~Scheme~~ operator must develop, adopt, amend, and implement certain rules forming the FPS reimbursement rules. This specific direction gives it additional responsibilities related to the FPS reimbursement rules.
- 3.2** In particular, the Faster Payments ~~Scheme~~ operator must:
- a. develop and implement arrangements to monitor directed PSPs' compliance with the FPS reimbursement rules effectively
 - b. monitor the nature, extent and effectiveness of directed PSPs' compliance with the FPS reimbursement rules
 - c. take steps to improve directed PSPs' compliance where it has the power to do so
 - d. gather data and information from directed PSPs to monitor compliance
 - e. report to the PSR on the nature, extent and effectiveness of directed PSPs' compliance with the FPS reimbursement rules, supported by the data it has gathered from the PSPs
- 3.3** The Faster Payments ~~Scheme~~ operator must meet the requirements set out in sections 4 and 5 of this specific direction, and follow any relevant guidance that the PSR issues.
- 3.4** The Faster Payments ~~Scheme~~ operator's obligations under this direction are without prejudice to other obligations the PSR has imposed or will impose on the Faster Payments ~~Scheme~~ operator through any other directions or requirements it issues.
- 3.5** This direction should be read alongside, and interpreted consistently with, any other relevant directions or requirements issued under sections 54 or 55 of FSBRA.

4 Compliance monitoring

- 4.1** The Faster Payments ~~Scheme~~ operator must prepare proposals (the 'compliance monitoring proposals') for an effective regime to monitor directed PSPs' compliance with the FPS reimbursement rules, whether they are members or non-members of the Faster Payments Scheme.
- 4.2** An effective regime means that the Faster Payments ~~Scheme~~ operator must, on an ongoing basis:
- a. monitor how, and how far, directed PSPs comply with the FPS reimbursement rules
 - b. have effective arrangements to check and verify that directed PSPs are consistently complying with the FPS reimbursement rules
 - c. have an effective way to identify actual or potential non-compliance
 - d. address any breaches of the FPS reimbursement rules appropriately, in line with its compliance management procedures
 - e. provide the PSR with relevant data and information to inform the PSR's approach to compliance monitoring
- 4.3** The Faster Payments ~~Scheme~~ operator must give Faster Payments Scheme participants, whether they are members or not of the Faster Payments Scheme, reasonable opportunities to make representations to it about its compliance monitoring proposals. The Faster Payments ~~Scheme~~ operator must consider these representations, and take them into account.
- 4.4** The Faster Payments ~~Scheme~~ operator must submit its final compliance monitoring proposals for the PSR to approve by **5 April 2024**. The Faster Payments ~~Scheme~~ operator must have considered representations submitted to it before this date.
- 4.5** The Faster Payments ~~Scheme~~ operator must formally publish its approved compliance monitoring regime by **7 June 2024**.
- 4.6** The compliance monitoring regime must come into force on **7 October 2024**.
- 4.7** The Faster Payments ~~Scheme~~ operator may propose changes to the regime once it is in force. It must submit any proposals to the PSR for approval.

5 Data and information collection

5.1 The Faster Payments operator's compliance monitoring proposals must include details of:

1. the data it will collect and review from PSPs
2. how it will collect this data, including whether it will use a template or an automated process
3. how frequently it will collect data
4. how it proposes to analyse the data it collects
5. how it will use this data to monitor and assess PSPs' compliance with the FPS reimbursement rules
6. how it will share this data with the PSR

5.2 The Faster ~~Payment~~Payments operator's proposals must include industry guidance to PSPs, which will include definitions of the data it will collect.

5.3 The Faster Payments operator must collect this data from all directed PSPs, whether they are members or non-members of the Faster Payments Scheme.

6 Permitted use of compliance information

6.1 For the purposes of this direction, FPS reimbursement information is any information which the Faster Payments operator has access to by virtue of it:

- a. being held on the reimbursement claims management system (RCMS) as a result of either the FPS reimbursement claim management system rule or Section 8 or 9 of Specific Direction 20; or
- b. being provided to the Faster Payments operator as required by Sections 8 or 9 of Specific Direction 20 or the PSR's compliance data reporting standards

6.2 For the purposes of this direction, confidential information is FPSreimbursement information, which:

- a. relates to the business or affairs of any person, and
- b. is not in the public domain, and
- c. is not in the form of a summary or collection of information that is framed in such a way that it is not possible to ascertain from it information relating to any particular business or person

6.3 The Faster Payments operator may not:

- a. use FPS reimbursement information for any purpose other than undertaking its responsibilities under this specific direction
- b. disclose confidential information other than to the PSR, subject to paragraph 6.4

6.4 Paragraph 6.3 of this direction does not prevent confidential information being disclosed to the PSR either informally or as a result of a regulatory requirement, or being disclosed to another party in fulfilment of:

- a. a statutory obligation that takes precedence
- b. an obligation to disclose to another regulator
- c. a court order

7 Reimbursement claim management system (RCMS)

7.1 The Faster Payments operator must make arrangements to ensure that all directed PSPs are able to onboard to the RCMS by 30 April 2025.

7.2 In the event that the RCMS is unavailable for at least the specified period, the Faster Payments operator must promptly:

- a. notify all directed PSPs that the RCMS is unavailable, and
- b. notify all directed PSPs when the RCMS is available again

7.3 For the purposes of paragraph 7.2, the RCMS is available when it is:

- a. fully functional, and
- b. allows directed PSPs to:
 1. manage FPS APP scam claims
 2. communicate in respect of FPS APP scam claims, and
 3. provide information to the Faster Payments operator as required by Sections 8 and 9 of Specific Direction 20 and the PSR's compliance data reporting standards

7.4 The 'specified period' referred to in paragraph 7.2 shall be set by the Faster Payments operator but shall be less than 30 days.

7.5 Where the RCMS is unavailable to PSPs for a period of less than 30 days, the Faster Payments operator must specify in its rules the method that directed PSPs must use to fulfil the requirements in Sections 8 and 9 of Specific Direction 20.

7.6 Where the RCMS is unavailable for at least the specified period, the Faster Payments operator must promptly notify the PSR. The Faster Payments operator must also notify the PSR:

1. at the point at which any previously notified unavailability has lasted for at least 30 days; and
2. at the point at which the RCMS becomes available again, after a notification of unavailability

8 **Revocation of original Specific Direction 19**

8.1 The PSR's original Specific Direction 19, given on 19 December 2023, is revoked.

69 **Commencement and duration**

~~6.19.1~~ This specific direction comes into force on ~~19 December 2023~~ 9 July 2024.

~~6.29.2~~ This specific direction shall continue in force until such time as it is varied or revoked by the PSR.

Citation

6-39.3 This specific direction may be cited as Specific Direction 19 (APP scams Faster Payments operator monitoring).

Interpretation

6-49.4 The headings and titles used in this specific direction are for convenience and have no legal effect.

6-59.5 The Interpretation Act 1978 applies to this specific direction as if it were an Act of Parliament except where words and expressions are expressly defined.

6-69.6 References to any statute or statutory provisions shall be construed as references to that statute or statutory provision as amended, re-enacted or modified, whether by statute or otherwise.

6-79.7 The following definitions apply in this specific direction:

- **APP scam (authorised push payment scam)** means where a person uses a fraudulent or dishonest act or course of conduct to manipulate, deceive or persuade a consumer into transferring funds from the consumer's relevant account to a relevant account not controlled by the consumer, where:
 - the recipient is not who the consumer intended to pay, or
 - the payment is not for the purpose the consumer intended

For the avoidance of doubt, if the consumer is party to the fraud or dishonesty, this is not an APP scam for the purpose of the FPS reimbursement requirement or the FPS reimbursement rules.

- **Authorisation**, for the purpose of this direction, in the context of a payment means that the payer has given their explicit consent to:
 - the execution of the payment transaction, or
 - the execution of a series of payment transactions of which that payment transaction forms part
- **Claims management** means the steps undertaken by a sending or receiving PSP in respect of the FPS reimbursement requirement and FPS reimbursement rules where the PSP has received a claim by a person who considered that they are a victim of an APP scam.
- **Compliance data reporting standards** means the document produced and published by the PSR, as may be amended from time to time, which, sets requirements for the specific information which PSPs must collate, retain and provide to the Faster

Payments operator pursuant to obligations imposed by this specific direction and to enable it to fulfil its requirements under Specific Direction 19.

- **Compliance monitoring proposals** means the proposals prepared by the Faster Payments operator pursuant to this direction, describing the regime it plans to use to monitor PSPs' compliance with the FPS reimbursement rules, whether they are members or non-members of the Faster Payments Scheme.
- **Confidential information** means FPS reimbursement information, which:
 - relates to the business or affairs of any person, and
 - is not in the public domain, and
 - is not in the form of a summary or collection of information that is framed in such a way that it is not possible to ascertain from it information relating to any particular business or person
- **Consumer**, for the purposes of this direction, refers to service users of PSPs. These are individuals, microenterprises (an enterprise that employs fewer than ten persons and that has either an annual turnover or annual balance sheet total that does not exceed €2 million) and charities (a body whose annual income is less than £1 million per year and is a charity as defined by the Charities Act 2011, Charities and Trustees Investment (Scotland) Act 2005 or the Charities Act (Northern Ireland) 2008).
- **Directed PSP** means a PSP participating in the Faster Payments Scheme to which Specific Direction 20 (Faster Payments APP scams reimbursement requirement) applies.
- **Faster Payments Scheme** or **FPS** means the Faster Payments Scheme as a regulated payment system designated by Order from the Treasury on 1 April 2015.
- **FPS APP scam payment**, for the purposes of this direction, means an APP, authorised by a victim as part of an APP scam, that has all the following features:
 1. It is executed through the Faster Payments Scheme.
 2. It is authorised by a PSP's consumer.
 3. It is executed by that PSP in the UK.
 4. The payment is received in a relevant account in the UK that is not controlled by the consumer.
 5. The payment is not to the recipient the consumer intended or is not for the purpose the consumer intended.
- **FPS reimbursement information** means any information which the Faster Payments operator has access to by virtue of it:
 - being held on the reimbursement claims management system (RCMS) as a result of either the FPS reimbursement claim management system rule or Section 8 or 9 of Specific Direction 20; or

- o being provided to the Faster Payments operator as required by Sections 8 or 9 of Specific Direction 20 or the PSR's compliance data reporting standards
- **FPS reimbursement requirement** means the obligation conferred on directed PSPs under paragraph 3.1 of Specific Direction 20 (Faster Payments APP scams reimbursement requirement).
- **FPS reimbursement rules** means any rules created as a result of Specific Requirement 1 (Faster Payments APP scam reimbursement rules) imposed on the Faster Payments ~~Scheme~~ operator to create and implement rules on PSPs reimbursing their consumers when they fall victim to APP scams.
- **FPS rules** means all rules created by the Faster Payments operator which relate to and/or govern the access to and/or participation in the Faster Payments Scheme by PSPs (whether members or non-members).
- **Information** for the purposes of this direction includes any information or data which may be required by either the PSR for the purposes of monitoring compliance with specific direction 20 or any other relevant regulatory requirement or by the Faster Payments operator in connection with its responsibilities under this specific direction.
- **Member of the Faster Payments Scheme** means a directly connected settling or directly connected non-settling participant.
- **Onboard** in this specific direction means the process by which a PSP in conjunction with the Faster Payments operator creates one or more use accounts on RCMS, undertakes any relevant testing and becomes capable of using RCMS for claims management.
- **Operator** has the same meaning as under section 42(3) of FSBRA in relation to the Faster Payments Scheme. The term Faster Payments operator is to be understood accordingly.
- **Participant** has the same meaning as under section of 42(2) of FSBRA.
- **Payment system** has the same meaning as under section 41(1) of FSBRA.
- **Payment Systems Regulator (PSR)** is the body corporate established under section 40 of FSBRA.
- **Payment service provider (PSP)** has the same meaning as under section 42(5) of FSBRA.
- **Reimbursement claims management system (RCMS)** means the claim management, communication and information reporting IT system which will be provided by the Faster Payments operator for all directed PSPs to use to communicate, manage claims and report information for FPS APP scam claims.
- **Specified period** means the period to be set by the Faster Payments operator under paragraph 7.4 of this direction, following which the Faster Payments operator must promptly notify directed PSPs of the unavailability of the RCMS under paragraph 7.2.

- **Service user** means a person who uses a service provided by a payment system and is not a participant in that payment system.
- **Victim** means a consumer who has made one or more FPS APP scam payments.
- **Vulnerable consumer** has the same meaning as when the term is used by the FCA in its *Guidance for firms on the fair treatment of vulnerable customers*¹, namely that a vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to harm – particularly when a firm is not acting with appropriate levels of care.

Made on ~~19 December 2023~~[DATE] — ~~Chris Hemsley~~
~~Managing Director~~[Name]
[Job title]
Payment Systems Regulator

1 www.fca.org.uk/publications/finalised-guidance/guidance-firms-fair-treatment-vulnerable-customers

Status of requirements

Requirements give rise to binding obligations. Breaching a requirement is a compliance failure which makes a party liable to regulatory sanction.

Annex 3

DRAFT amended Specific Direction 20

Specific Direction 20 to
PSPs participating in the
Faster Payments Scheme that
provide relevant accounts,
to reimburse FPS APP scam
payments and comply with
the reimbursement rules

Specific Direction 20 (Faster Payments
APP scam reimbursement requirement)

~~December 2023~~ [DATE 2024]

Specific Direction 20: Faster Payments APP scam reimbursement requirement

1 Recitals

Whereas:

- 1.1 Authorised push payment (APP) scams happen when a person uses a fraudulent or dishonest course of conduct to manipulate, deceive or persuade someone into sending money to an account outside of their control.
- 1.2 The Financial Services and Markets Act 2023 (FSMA 2023) places a statutory obligation on the Payment Systems Regulator (PSR) to introduce a reimbursement requirement for APP scam payments made over the Faster Payments Scheme by the end of February 2024.
- 1.3 The PSR has decided to implement a policy that requires APP scam victims to be reimbursed by the sending payment service provider (PSP). This is known as the FPS reimbursement requirement.
- 1.4 The PSR has decided to implement this policy by requiring the operator of the Faster Payments Scheme to put the FPS reimbursement requirement into the Faster Payments Scheme rules. The resulting rules will be known as the FPS reimbursement rules.
- 1.5 The PSR has also decided to direct in-scope participants in the Faster Payments Scheme to comply with the FPS reimbursement requirement and the FPS reimbursement rules. This is to ensure that these rules apply to both members and non-members of the Faster Payments Scheme, so that all participants in the Faster Payments Scheme and their consumers are, as far as possible, placed on an equal footing.
- 1.6 In addition, in order to more effectively implement the reimbursement requirement and support the responsibilities of the Faster Payments operator under Specific Direction 19, the PSR has decided to mandate compliance with the FPS rule that requires use of the Reimbursement Claim Management System (RCMS) for the purposes of undertaking activities relating to the FPS reimbursement requirement and rules, and for the provision of information in relation to compliance with the FPS reimbursement rules.
- 1.7 The PSR will also specify the information which PSPs must collate, retain, and provide to the Faster Payments operator for it to undertake its responsibilities under Specific Direction 19. This information will be specified by the PSR in the Compliance Data

Reporting Standards (CDRS). PSPs must comply with the requirements of this direction, including the requirement to comply with the provisions of the CDRS.

2 Powers exercised and purpose

- 2.1** The Faster Payments Scheme is designated by the Treasury as a regulated payment system under section 43 of Financial Services (Banking Reform) Act 2013 (FSBRA) for the purposes of Part 5 of FSBRA.
- 2.2** The PSR gives this specific direction in accordance with section 54(1) and (2) of FSBRA. In accordance with section 54(3)(c), this direction applies to persons of a specified description.
- 2.3** In making its decision to use its section 54 powers, the PSR had regard to section 62 of FSBRA (Duty to consider exercise of powers under the Competition Act 1998).
- 2.4** Under section 72 of FSMA 2023, the PSR must introduce a reimbursement requirement for APP scam payments made over the Faster Payments Scheme. The PSR gives this specific direction to fulfil this duty. It hereby requires all in-scope PSPs to comply with the FPS reimbursement requirement ~~and the FPS reimbursement rules,~~ and the FPS reimbursement rules, and any requirements imposed in the CDRS. PSPs must also have regard to any other guidance and / or standards issued by the PSR as regards compliance with the FPS reimbursement requirement.
- 2.5** The PSR gives this specific direction for the reasons and purpose set out in its policy statement PS23/3, *Fighting authorised push payment fraud: a new reimbursement requirement* (June 2023)¹:
- a. to incentivise the payments industry to invest in fraud prevention, increasing consumer protections so most victims of APP scams are swiftly reimbursed
 - b. to pursue its long-term ambition for the operator of the Faster Payments Scheme to tackle fraud by improving the Faster Payments Scheme rules

¹ www.psr.org.uk/publications/policy-statements/ps23-3-fighting-authorised-push-payment-fraud-a-new-reimbursement-requirement/

Direction

NOW the PSR gives the following specific direction to all PSPs participating in the Faster Payments Scheme that provide relevant accounts

3 The reimbursement requirement

The FPS reimbursement requirement

- 3.1** When a victim reports a reimbursable FPS APP scam payment to their sending PSP, the sending PSP must reimburse the victim in full. This is the FPS reimbursement requirement.

The scope of the FPS reimbursement requirement

- 3.2** The FPS reimbursement requirement applies to all reimbursable FPS APP scam payments executed after the implementation date. The implementation date is 7 October 2024.
- 3.3** The FPS reimbursement requirement applies in line with the exceptions and additional provisions set out at paragraphs 4.2 to 5.19 of Specific Requirement 1 (Faster Payments APP scam reimbursement rules).

- 3.4** If a sending PSP fails to reimburse a victim as required by the FPS reimbursement rules and FPS reimbursement rules, the victim is entitled to enforce these and recover the outstanding amount from the sending PSP in the civil courts.

4 Requirement to comply with the FPS reimbursement rules

- 4.1** From 7 October 2024, all directed PSPs, whether they are members or not of the Faster Payments Scheme must comply with the FPS reimbursement rules.

5 The FPS reimbursement claim management system rule

- 5.1** From 1 May 2025 all directed PSPs, whether or not they are members of the Faster Payments Scheme, must comply with the rule contained within the Faster Payments Scheme rules that requires them to use the Faster Payments operator's reimbursement claim management system (RCMS) to undertake FPS APP scams reimbursement. This rule

is known as the Faster Payments Scheme Reimbursement Claim Management System rule. This rule includes provisions relating to the use of the RCMS for the purposes of:

- a. managing FPS APP scam claims
- b. communicating in respect of FPS APP scam claims
- c. complying with the information collation, retention and provision obligations set out below in Sections 8 and 9 in relation to the FPS reimbursement requirement

5.2 This rule is known as the FPS reimbursement claim management system rule

6 Directed PSPs to inform consumers of their rights

6.1 By 7 October 2024 all directed PSPs, whether or not they are members of the Faster Payments Scheme, must have informed their existing consumers of their rights under the FPS reimbursement requirement and reimbursement rules.

6.2 From 7 October 2024 all directed PSPs, whether or not they are members of the Faster Payments Scheme, must have arrangements in place to inform any new consumers of their rights under the FPS reimbursement requirement and reimbursement rules at the latest by the time they provide those new consumers with their services.

6.3 Consumers must be informed in the same manner in which the PSP would notify their consumers of changes to the way in which they provide their services.

57 Indirect access providers to provide information about their indirect PSP customers

5-17.1 By 31 March 2024, and annually thereafter, all indirect access providers must give the PSR a complete list of all of their indirect PSP customers for the previous calendar year.

5-27.2 The PSR may specify in guidance additional requirements for the format and content of the list mentioned in paragraph 5-17.1a.

5-37.3 By 30 April 2024, and monthly thereafter, all indirect access providers must give the PSR an update containing any changes to the list they provide under paragraph 57.1. They do not need to provide a report for months where there are no changes since the previous report.

5-47.4 This direction should be read alongside, and interpreted consistently with, any other relevant directions or requirements issued under sections 54 or 55 of FSBRA

8 PSP data and information obligations

Overarching duties

8.1 All directed PSPs, whether or not they are members of the Faster Payments Scheme, must register with the Faster Payments operator using the method specified by the Faster Payments operator in the FPS Rules.

8.2 Registration requires directed PSPs to provide the information specified by the Faster Payments operator in its FPS rules, in the manner and time period established in the FPS rules.

8.3 The obligation at paragraph 8.1 applies as follows:

a. For directed PSPs participating in the Faster Payments Scheme and that provide relevant accounts at the time when this direction is given, paragraph 8.a must be complied with by 20 August 2024.

b. For directed PSPs which begin to participate in the Faster Payments Scheme and provide relevant accounts at any date after this direction is given, and whilst it continues in force, paragraph 8.a must be complied with before that PSP sends or receives live transactions using the Faster Payments Scheme.

8.4 From 7 October 2024, all directed PSPs, whether or not they are members of the Faster Payments Scheme, must

a. collate and retain for a period of five years

1. the information identified in the PSR's CDRS in respect of FPS APP scam claims

2. information relevant to the FPS APP scam claim which is necessary to enable the Faster Payments operator to undertake its responsibilities under Specific Direction 19 rules other than that covered by paragraph 8.4.a.1. This includes any information which has been requested by the Faster Payments operator by paragraph 8.4.d.

b. provide the information specified in the CDRS to the Faster Payments operator

c. take appropriate and reasonable steps to assure themselves of the accuracy of any information provided to the Faster Payments operator, in the manner required by the operator and set out in the FPS rules, before it is provided to the Faster Payments operator

d. provide timely, complete and accurate responses to reasonable and proportionate requests for information from the Faster Payments operator in order to enable it to undertake its responsibilities under Specific Direction 19

8.5 For the purposes of paragraph 8.4.d the Faster Payments operator may determine a time frame within which a timely, complete and accurate response must be provided.

8.6 A reasonable and proportionate request for information by the Faster Payments operator is one which is appropriately scoped having regard to the time frame set for the response, and may include, but is not limited to requests that:

- a. enable the Faster Payments operator to undertake its responsibilities under Specific Direction 19
- b. relate to the Faster Payments operator's role in monitoring and assuring the quality, accuracy, completeness and integrity of the data received
- c. enable the Faster Payments operator to undertake enhanced monitoring in response to any potential compliance issues identified

8.7 Directed PSPs must ensure that any information collated, retained or provided pursuant to this direction (or other any other requirement or direction imposed further to the reimbursement requirement) is retained in a manner which is secure.

9 PSPs' reporting obligations

9.1 All directed PSPs, whether or not they are members of the Faster Payments Scheme, must comply with the reporting requirements specified in this section.

9.2 All directed PSPs, whether or not they are members of the Faster Payments Scheme, must comply with the obligations set out in the PSR's CDRS, as may be amended from time to time.

9.3 Changes to the Compliance Data Reporting Standards will come into effect no sooner than 30 days after being confirmed on the PSR's website.

Reporting standards

9.4 The PSR hereby establishes two different reporting standards, pursuant to which information must be collated, retained and provided by PSPs to the Faster Payments operator in accordance with this direction. These are referred to as reporting standard A and reporting standard B.

9.5 All directed PSPs, whether or not they are members of the Faster Payments Scheme, must collate and retain all information falling within the scope of reporting standard A or reporting standard B, in line with the requirements specified in 8.4 – 8.7 of this direction.

Reporting standard A

- 9.6 All directed PSPs, whether or not they are members of the Faster Payments Scheme, must comply with Reporting Standard A from 7 October 2024.
- 9.7 The PSR shall set out the information which PSPs must report to the Faster Payments operator pursuant to reporting standard A in the CDRS.
- 9.8 All PSPs must report to the Faster Payments operator any information falling within the scope of reporting standard A set out within the CDRS as follows:
- a. Each report must cover all cases closed in the reporting period
 - b. The first report is required to be submitted on 2 January 2025 to cover a reporting period of 7 October 2024 – 30 November 2024
 - c. Each subsequent report must cover one month (the “reporting period”)
 - d. Each subsequent report is due by close of business on the last business day of the month after each reporting period.
- 9.9 The method by which information must be reported to the Faster Payments operator under Reporting Standard A shall be determined by the Faster Payments operator in its rules.
- 9.10 For the avoidance of doubt, where a PSP has not received any FPS APP scam claims in any reporting period, they must submit a nil return to the Faster Payments operator.
- 9.11 All directed PSPs must comply with reporting standard A until 30 April 2025, subject to the arrangements for new market participants set out in paragraph 9.15 and the contingency arrangements set out in paragraph 9.16.

Reporting standard B

- 9.12 All directed PSPs, whether or not they are members of the Faster Payments Scheme, must comply with reporting standard B from 1 May 2025, subject to the arrangements for new market participants set out in paragraph 9.15 and the contingency arrangements set out in paragraph 9.16.
- 9.13 The PSR shall set out the information which PSPs must make available to the Faster Payments operator pursuant to reporting standard B in the CDRS.
- 9.14 All PSPs must take the necessary steps to ensure that any information identified as falling within the scope of reporting standard B is available to the Faster Payments operator via the RCMS, in compliance with this direction.

Reporting – contingency arrangements

9.15 Any new market entrant who falls within the scope of the policy must comply with reporting standard A for the remainder of the month in which they register with the Faster Payments operator and the following month. Such new entrants must report the information under reporting standard A to the Faster Payments operator the month following that reporting period.

9.16 The following contingency arrangements shall apply:

- a. In the event that the RCMS is not available to a directed PSP in respect of its reporting obligations for 30 days or more, reporting standard A shall apply for the period of unavailability.
- b. Any report under paragraph 9.g.a must cover the entire period for which the RCMS was unavailable:
 1. If the RCMS is unavailable for a period of less than three months, the reporting period is that period in its entirety. The report must be provided on the last business day of the month following the date at which the RCMS is available again.
 2. If the RCMS is unavailable for a period of three months or more, the reporting period is as follows:
 - a. any partial month at the beginning or end of that period together with the next or previous full month
 - b. any other month during that period
 3. The report for a reporting period which falls within 9.g.b.ii must be provided on the last business day of the month following the reporting period, with the last report to be provided on the last business day of the month following the date at which the RCMS is available again.
- c. In the event that a directed PSP is notified by Pay.UK that the RCMS is not available, and that period is less than 30 days, reporting must be undertaken using the method specified by Pay.UK in its rules.
- d. In the event that a directed PSP is unable to access the RCMS but has not been made aware that the RCMS is unavailable by the Faster Payments operator, the PSP must contact the Faster Payments operator, by the means the operator has specified in its rules, to ascertain the cause of the issue and by what means they must comply with the requirements set out in this direction.

610 Application

~~6-110.1~~ This specific direction applies to all PSPs participating in the Faster Payments Scheme that provide relevant accounts.

11 Revocation of original Specific Direction 20

11.1 The original Specific Direction 20, which PSR gave on 19 December 2023, is revoked.

712 Commencement and duration

~~7-112.1~~ This specific direction comes into force on ~~19 December 2023~~ July 2024.

~~7-212.2~~ This specific direction will continue in force until such time as it is varied or revoked by the PSR.

813 Citation

This direction may be cited as Specific Direction 20 (Faster Payments APP scam reimbursement requirement).

914 Interpretation

~~9-114.1~~ The headings and titles used in this specific direction are for convenience and have no legal effect.

~~9-214.2~~ The Interpretation Act 1978 applies to this specific direction as if it were an Act of Parliament, except where words and expressions are expressly defined.

~~9-314.3~~ References to any statute or statutory provisions must be construed as references to that statute or statutory provision as amended, re-enacted or modified, whether by statute or otherwise.

~~9-414.4~~ The following definitions apply in this specific direction:

- **Account controlled by the consumer** means a relevant account that a consumer can access and make payments from. It is not sufficient for it to be in the consumer's name.
- **Authorised push payment (APP)** means a consumer payment initiated by the sending PSP in accordance with an authorisation given by its consumer.

- **APP scam (authorised push payment scam)** means where a person uses a fraudulent or dishonest act or course of conduct to manipulate, deceive or persuade a consumer into transferring funds from the consumer's relevant account to a relevant account not controlled by the consumer, where:
 - the recipient is not who the consumer intended to pay, or
 - the payment is not for the purpose the consumer intended

For the avoidance of doubt, if the consumer is party to the fraud or dishonesty, this is not an APP scam for the purpose of the FPS reimbursement requirement, or the FPS reimbursement rules.

- **Authorisation**, for the purpose of this direction, in the context of a payment means that the payer has given their explicit consent to:
 - the execution of the payment transaction, or
 - the execution of a series of payment transactions of which that payment transaction forms part
- **Business day**, for the purposes of this requirement, means any day (period of 24 hours beginning at midnight) that is not a Saturday or Sunday, or a bank holiday in any part of the United Kingdom.
- **Compliance Data Reporting Standards (CDRS)** means the document produced and published by the PSR, as may be amended from time to time, which sets requirements for the specific information which PSPs must collate, retain and provide to the Faster Payments operator pursuant to obligations imposed by this specific direction and to enable it to fulfil its responsibilities under specific direction 19.
- **Consumer**, for the purposes of this direction, refers to service users of PSPs. These are individuals, microenterprises (an enterprise that employs fewer than ten persons and that has either an annual turnover or annual balance sheet total that does not exceed €2 million) or charities (a body whose annual income is less than £1 million per year and is a charity as defined by the Charities Act 2011, Charities and Trustee Investment (Scotland) Act 2005 or the Charities Act (Northern Ireland) 2008).
- **Directed PSP** means a PSP participating in the Faster Payments Scheme to which this specific direction applies.
- **Faster Payments Scheme** or **FPS** means the Faster Payments Scheme, a regulated payment system designated by Order from the Treasury on 1 April 2015.
- **FPS APP scam claim** means one or more FPS APP scam payments made as part of an APP scam and made to the victim's PSP.
- **FPS APP scam payment** for the purposes of this direction, means an APP, authorised by a victim as part of an APP scam, that has all the following features:
 1. It is executed through the Faster Payments Scheme.

2. It is authorised by a PSP's consumer.
 3. It is executed by that PSP in the UK.
 4. The payment is received in a relevant account in the UK that is not controlled by the consumer.
 5. The payment is not to the recipient the consumer intended or is not for the purpose the consumer intended.
- **FPS reimbursement requirement** means the obligation conferred on directed PSPs under paragraph 3.1 of this specific direction.
 - **FPS reimbursement claim management system rule** means the rule set out in [Section 4 of this Specific Direction requiring all PSPs to use the RCMS to implement their information collation, retention and provision obligations in relation to the FPS reimbursement requirement.](#)
 - **FPS reimbursement rules** means any rules created as a result of Specific Requirement 1 (Faster Payments APP scam reimbursement rules) imposed on the Faster Payments ~~Scheme~~ operator to create and implement rules on PSPs reimbursing their consumers when they fall victim to APP scams.-_
 - **FPS rules** means [all rules created by the Faster Payments operator which relate to and/or govern the access to and/or participation in the Faster Payments Scheme by PSPs \(whether members or non-members\)](#)
 - **Indirect access provider** means a PSP with access to the Faster Payments Scheme that has an agreement or arrangements with another person for the purpose of enabling that other person (the 'indirect PSP customer') to provide services for the purposes of enabling the transfer of funds using the Faster Payments Scheme or to become a PSP in relation to the Faster Payments Scheme.
 - **Information** for the purposes of this direction includes [any information or data which may be required by either the PSR for the purposes of monitoring compliance with this direction or any other relevant regulatory requirement or the Faster Payments operator in connection with their responsibilities under specific direction 19](#)
 - **Member of the Faster Payments Scheme** means a directly connected settling or directly connected non-settling participant.
 - **Operator** has the same meaning as under section 42(3) of FSBRA in relation to the Faster Payments Scheme. The term Faster Payments ~~Scheme~~ operator is to be understood accordingly.
 - **Participant** has the same meaning as under section 42(2) of FSBRA.
 - **Payment System** has the same meaning as under section 41(1) of FSBRA.
 - **Payment Systems Regulator (PSR)** is the body corporate established under section 40 of FSBRA.

- **Payment service provider (PSP)** has the same meaning as under section 42(5) of FSBRA.
- **Reimbursable FPS APP scam payment** means an FPS APP scam payment where the consumer standard of caution exception does not apply, the victim is not party to the fraud or claiming fraudulently or dishonestly to have been defrauded and the claim was made within the time limit set out in the reimbursement rules.
- **Reimbursement Claims Management System (RCMS)** means the claim management, communication and information reporting IT system which will be provided by Faster Payments operator for all directed PSPs to use to communicate, manage claims and report information for FPS APP scam claims.
- **Relevant account** means an account that is provided to a service user, is held in the UK and can send or receive payments using the Faster Payments Scheme, but excludes accounts provided by credit unions, municipal banks and national savings banks.
- **Retain** means to keep information for the period specified, in a readily accessible electronic format where possible.
- **Sending PSP** means a PSP that provides a relevant account for a consumer, from which one or more FPS APP scam payments were made.
- **Service user** means a person who uses a service provided by a payment system and is not a participant in that payment system.
- **Victim** means a consumer who has made one or more FPS APP scam payments.

Made on ~~19 December 2023~~ [DATE] 2024 — **Chris Hemsley**
Managing Director [Name]
[Job title]
Payment Systems Regulator

Status of directions

Directions give rise to binding obligations. Breaching a requirement of a direction is a compliance failure which makes a party liable to regulatory sanction.

Annex 4

DRAFT amended Specific Requirement 1

Specific Requirement 1 on the
Faster Payments ~~Scheme~~
operator to insert APP scam
reimbursement rules into the
Faster Payments Scheme rules

Specific Requirement 1(Faster Payments
APP scam reimbursement rules)

~~December 2023~~ [DATE] 2024

Specific Requirement 1: Faster Payments APP scam reimbursement rules

1 Recitals

Whereas:

- 1.1 Authorised push payment (APP) scams happen when a person uses a fraudulent or dishonest course of conduct to manipulate, deceive or persuade someone into sending money to an account outside of their control.
- 1.2 The Financial Services and Markets Act 2023 (FSMA 2023) places a statutory obligation on the Payment Systems Regulator (PSR) to introduce a reimbursement requirement for APP scam payments made over the Faster Payments Scheme (FPS) by the end of February 2024.
- 1.3 The PSR has decided to implement a policy that requires APP scam victims to be reimbursed by the sending payment service provider (PSP). This is known as the FPS reimbursement requirement.
- 1.4 The PSR has decided to implement this policy by requiring the Faster Payments Scheme operator to put the FPS reimbursement requirement into the Faster Payments Scheme rules. The resulting rules will be known as the FPS reimbursement rules.
- 1.5 The PSR has also decided to direct in-scope participants in the Faster Payments Scheme to comply with the FPS reimbursement rules. This is to ensure that these rules apply to both members and non-members of the Faster Payments Scheme, so that all participants in the Faster Payments Scheme and their consumers are, as far as possible, placed on an equal footing.

2 Powers exercised and purpose

- 2.1** The Faster Payments Scheme is designated by the Treasury as a regulated payment system under section 43 of Financial Services (Banking Reform) Act 2013 (FSBRA) for the purposes of Part 5 of FSBRA.
- 2.2** The PSR imposes this specific requirement in accordance with section 55(1) of FSBRA. In accordance with section 55(2), this requirement applies to a specified person.
- 2.3** Pay.UK is a payment system operator with responsibility for managing and operating the Faster Payments Scheme. This direction refers to the operator of the Faster Payments Scheme as the 'Faster Payments ~~Scheme~~-operator'.
- 2.4** In making its decision to use its section 55 powers, the PSR had regard to section 62 of FSBRA (Duty to consider exercise of powers under the Competition Act 1998).
- 2.5** Under section 72 of FSMA 2023, the PSR must introduce a reimbursement requirement for APP scam payments made over the Faster Payments Scheme. The PSR imposes this specific requirement to fulfil this duty. It hereby requires the Faster Payments ~~Scheme~~-operator to include a reimbursement requirement for APP scam payments made over FPS in the scheme rules.
- 2.6** The PSR imposes this specific requirement for the reasons and purpose set out in its policy statement PS23/3, *Fighting authorised push payment fraud: a new reimbursement requirement* (June 2023)¹:
- to incentivise the payments industry to invest in fraud prevention, increasing consumer protections so most victims of APP scams are swiftly reimbursed
 - to pursue its long-term ambition for the Faster Payments ~~Scheme~~-operator to tackle fraud by improving the Faster Payments Scheme rules

¹ www.psr.org.uk/publications/policy-statements/ps23-3-fighting-authorised-push-payment-fraud-a-new-reimbursement-requirement/

Requirements

3 Requirement to change the Faster Payments Scheme rules to introduce the reimbursement requirement for APP scams

- 3.1** The PSR requires the Faster Payments ~~Scheme~~-operator to change the Faster Payments Scheme rules by 7 June 2024 in the ways set out below, to achieve the specified purpose of incorporating the reimbursement requirement and additional exceptions and provisions into those rules.
- 3.2** The Faster Payments ~~Scheme~~-operator must implement the rule changes from 7 October 2024.
- 3.3** The Faster Payments Scheme rules must use, refer to and contain definitions of the terms listed below, and the definitions must be taken from the 'Interpretation' section of this specific requirement, insofar as that wording is appropriate for the Faster Payments Scheme rule book:
- a. account controlled by the consumer
 - b. agent
 - c. authorised push payment (APP)
 - d. APP scam
 - e. FPS APP scam claim
 - f. authorisation
 - g. business day
 - h. consumer
 - i. consumer standard of caution exception
 - j. Faster Payments Scheme
 - k. FPS APP scam payment
 - l. FPS reimbursement requirement
 - m. FPS reimbursement rules
 - n. indirect access provider

- o. member of the Faster Payments Scheme
- p. operator
- q. payment system
- r. Payment Systems Regulator (PSR)
- s. payment service provider (PSP)
- t. receiving PSP
- u. reimbursable FPS APP scam payment
- v. relevant account
- w. repatriation
- x. service user
- y. sending PSP
- z. victim
- aa. vulnerable consumer

3.4 The Faster Payments Scheme rules must contain reimbursement rules (the FPS reimbursement rules) that produce the outcomes set out below.

3.5 The FPS reimbursement rules must apply to all members of the Faster Payments Scheme that provide relevant accounts.

3.6 This requirement should be read alongside, and interpreted consistently with, any other relevant directions or requirements issued under sections 54 or 55 of FSBRA.

4 The FPS reimbursement requirement

Incorporating the FPS reimbursement requirement into Faster Payments Scheme rules

4.1 The operator must insert and not alter the FPS reimbursement requirement and its scope as set out in paragraphs 3.1, 3.2 and 3.3 of Specific Direction 20 (Faster Payments APP scam reimbursement requirement).

Exceptions to the FPS reimbursement requirement

The consumer standard of caution exception

- 4.2** PSPs are not required to reimburse any FPS APP scam payments where the consumer standard of caution exception applies. This exception does not apply if the victim was a vulnerable consumer when they made a FPS APP scam payment and this had a material impact on their ability to protect themselves from the scam.
- 4.3** The PSR sets the consumer standard of caution exception and publishes it on its website. The PSR may amend the consumer standard of caution exception from time to time.

Maximum level of reimbursement

- 4.4** PSPs are not required to reimburse APP scam victims above the maximum level of reimbursement. The maximum level of reimbursement applies to each FPS APP scam claim.
- 4.5** The PSR sets the maximum level of reimbursement and publishes it on its website. The PSR may amend the maximum level of reimbursement from time to time.
- 4.6** If a sending PSP reimburses its consumer above the maximum level of reimbursement, the part of the reimbursement above the maximum level will be a voluntary reimbursement as described in paragraph 5.18 of this specific requirement.

Time limit for claims

- 4.7** PSPs are not required to reimburse an FPS APP scam claim reported more than 13 months after the date of the final FPS APP scam payment of the claim.
- 4.8** If a sending PSP reimburses a claim reported more than 13 months after the final payment, this will be a voluntary reimbursement as described in paragraph 5.18 of this specific requirement.

5 Additional provisions to the reimbursement requirement

Time limit for reimbursement

- 5.1** The sending PSP must reimburse any reimbursable FPS APP scam payment to the victim within five business days of the victim making an FPS APP scam claim to the sending PSP, unless the sending PSP exercises the 'stop the clock' provision set out in paragraph 5.4 of this specific requirement.

- 5.2** The amount to be reimbursed by the sending PSP to the victim is to be known as the 'required reimbursement amount'. The required reimbursement amount is the full value of the FPS APP scam claim up to the maximum level of reimbursement, less any claim excess imposed under paragraph 5.16~~18~~ of this specific requirement.
- 5.3** An FPS APP scam claim is deemed to be made when the victim tells the sending PSP it has happened with details of the FPS APP scam claim, and specifies at least one FPS APP scam payment.
- 5.4** The 'stop the clock' provision pauses the five business-day reimbursement timescale set out in paragraph 5.1. A PSP can stop the clock if it has asked for information to assess the claim and is waiting for a response. PSPs can only stop the clock for the following reasons:
- a. to gather information from the victim(s) (or their agent) or the receiving PSP to assess whether the claim is a reimbursable FPS APP scam claim
 - b. to verify that a claims management company is submitting a legitimate claim – for example, validating that the victim has authorised the company to submit a claim
 - c. to gather additional information from a victim to assess their vulnerability
 - d. in cases where the sending PSP has evidence of fraud on the part of the person who made the FPS APP scam claim, to gather additional information from the receiving PSP, law enforcement or other relevant parties
 - e. for multi-step scams, to gather additional information from the other PSPs involved
- 5.5** Where a sending PSP exercises the 'stop the clock' provision, the five business-day reimbursement timescale is paused at the point when the sending PSP sends its request for information. The five-day clock resumes as soon as the sending PSP receives a response.
- 5.6** A receiving PSP that receives a request from a sending PSP to provide information in relation to a reported FPS APP scam claim must respond in a timely and accurate manner.
- 5.7** The sending PSP can stop the clock as many times as necessary. However, it must close the claim before the end of the 35th business day following the reporting of the FPS APP scam claim by the victim (or their agent) to the sending PSP.
- 5.8** An FPS APP scam claim may not be closed ~~either~~ until it has been assessed by reimbursement of the sending PSP as including reimbursable FPS APP scam payments or not including reimbursable APP scam payments and either:
1. The consumer where appropriate or by rejection of has been reimbursed for any reimbursable FPS APP scam payments, or

2. Where the assessment has been that the claim did not include any reimbursable FPS APP scam payments, the claim has been rejected

5-85.9 In either case the consumer must be provided with a written explanation of the reasons for the decision before the claim may be closed.

Allocating reimbursement between sending and receiving PSPs

5-95.10 When an FPS APP scam claim is reported to the sending PSP, the sending PSP must tell the receiving PSP within the notification period of any FPS APP scam payments made to it, in order to maximise the opportunity for repatriating stolen funds. The notification period is to be set by the operator of Faster Payments Scheme and included in the reimbursement rules.

5-105.11 If requested by the sending PSP, the receiving PSP must pay the sending PSP 50% of the lower of:

- a. the amount the sending PSP has paid to the victim that is attributable to any reimburseable APP scam payments made to that sending PSP
- b. the required reimbursement amount that is attributable to any reimburseable APP scam payments made to that sending PSP, if different

5-115.12 The sending PSP may only claim the amount specified in paragraph 5-1011 (the 'specified amount') from the receiving PSP after the sending PSP has reimbursed the victim.

5-125.13 The receiving PSP must pay the sending PSP the specified amount within a reasonable period of time. This period is to be defined by the Faster Payments Scheme operator.

5.14 If the sending PSP chooses not to apply the maximum claim excess value (see paragraph 5-1618 of this specific requirement), the following provisions apply:

- a. Where there is a single receiving PSP, that receiving PSP may deduct 50% of the maximum claim excess amount from the specified amount.
- b. Where there are two or more receiving PSPs, each may deduct from the specified amount an amount that is calculated as follows:
 1. 50% of the maximum claim excess amount
 2. The figure derived under step 1. shall be split between the receiving PSPs in proportions which equate to the proportionate value of each receiving PSP's liability for the reimbursable part of the FPS APP scam claim.

5.15 The proportionate value of each receiving PSP's liability for the reimbursable part of an FPS APP scam claim shall be calculated in accordance with the method set out by the Faster Payments operator in the FPS Reimbursement Rules.

5-135.16 Where a receiving PSP is able to repatriate funds in an FPS APP scam claim and the sending PSP has already reimbursed the victim, the repatriated funds should be apportioned as follows:

- a. 50% each to the sending and receiving PSPs, subject to the following maximum amounts:
 1. To the sending PSP, the required reimbursement amount, minus the specified amount.
 2. To the receiving PSP, the specified amount, not including any amount deducted under paragraph 5-1314.
- b. Any remainder to the victim.

5-145.17 Paragraphs 5-910 to 5-1416 do not apply to, and the receiving PSP is not liable to pay any amount in relation to:

- a. ~~any~~Any voluntary reimbursement (see paragraphs 5-1820 to 5-1921 of this specific requirement).
- b. ~~any~~Any payment the sending PSP makes to its consumer after it has closed a claim, whether by reimbursement or rejection. This includes any payment made as a result of a court or ADR decision subsequent to the closing of the claim.

Claim excess

5-155.18 Sending PSPs may apply a single claim excess to each FPS APP scam claim, up to the maximum claim excess value set by the PSR and published on its website. Sending PSPs may deduct the amount of any permitted excess from the amount they would otherwise be required to reimburse to the victim.

5-165.19 PSPs may not apply a claim excess if the victim was a vulnerable consumer when they made a reimbursable FPS APP scam payment, and this had a material impact on their ability to protect themselves from the APP scam.

Voluntary reimbursement

5-175.20 Any reimbursement or part of a reimbursement made by a sending PSP other than as required by paragraphs 4.1 to 4.8, 5.1 to 5-89 and 5-1618 to 5-1719 above is a 'voluntary reimbursement'.

5-185.21 A voluntary reimbursement is outside the scope of the FPS reimbursement requirement and the FPS reimbursement rules.

6 Requirement to change the Faster Payments Scheme rules to achieve consumer rights outcomes

- 6.1** The PSR requires the Faster Payments operator to change the Faster Payments Scheme rules by 9 September 2024 to achieve the following outcomes:
- a. Clarity that the FPS reimbursement rules are part of the provision of the service of executing in-scope payments over the Faster Payments system to consumers by directed PSPs.
- 6.2** Any rules created by virtue of paragraph 6.1 are to be known as the FPS consumer rights rules.

67 Notification requirement

- 6-17.1** The Faster Payments ~~Scheme~~ operator must notify the PSR of any proposed changes to the FPS reimbursement ~~rules~~, FPS reimbursement claim management system rule, or the FPS consumer rights rules implemented under this specific requirement.
- 6-27.2** The PSR will be responsible for the core elements of the policy for the foreseeable future. The Faster Payments ~~Scheme~~ operator is required to include these elements in the Faster Payments Scheme rules but may not make any changes to them.
- 6-37.3** These core elements are the FPS reimbursement requirement and its scope, as set out in 3.1, 3.2 and 3.3 of Specific Direction 20 (~~Faster Payments~~-APP scam reimbursement requirement)
- 6-47.4** The PSR requires the Faster Payments ~~Scheme~~ operator to place all other outcomes (those not fitting into the core elements above) into the Faster Payments Scheme rules as outlined in this specific requirement, and then keep them under review just as with other aspects of the Faster Payments Scheme rules.
- 6-57.5** The PSR requires the Faster Payments ~~Scheme~~ operator to notify it of any potential changes to the ~~Faster Payments Scheme~~FPS reimbursement rules, FPS reimbursement claim management System rule, or the FPS consumer rights rules. The operator must send a formal notification before adopting the change. The notification should contain sufficient analysis for the PSR to understand the nature of the change, the reason for it, and its costs and benefits.

78 Application

- 7-18.1** This specific requirement applies to the Faster Payments ~~Scheme~~ operator.

89 Commencement and duration

~~8-19.1~~ This specific requirement comes into force on ~~19 December 2023~~XXX.

~~8-29.2~~ This specific requirement shall continue in force until such time as it is varied or revoked by the PSR.

910 Citation

~~9-10.1~~ This specific requirement may be cited as Specific Requirement 1 (Faster Payments APP scam reimbursement rules).

1011 Interpretation

~~10-11.1~~ The headings and titles used in this specific requirement are for convenience and have no legal effect.

~~10-211.2~~ The Interpretation Act 1978 applies to this specific requirement as if it were an Act of Parliament, except where words and expressions are expressly defined.

~~10-311.3~~ References to any statute or statutory provisions must be construed as references to that statute or statutory provision as amended, re-enacted or modified, whether by statute or otherwise.

~~10-411.4~~ The following definitions apply in this specific requirement:

- **Account controlled by the consumer** means a relevant account that a consumer can access and make payments from. It is not sufficient for it to be in the consumer's name.
- **Agent** of the victim includes any claims management company.
- **Authorised push payment (APP)** means a consumer payment initiated by the sending PSP in accordance with an authorisation given by its consumer.
- **APP scam (authorised push payment scam)** means where a person uses a fraudulent or dishonest act or course of conduct to manipulate, deceive or persuade a consumer into transferring funds from the consumer's relevant account to a relevant account not controlled by the consumer, where:
 - the recipient is not who the consumer intended to pay, or
 - the payment is not for the purpose the consumer intended

For the avoidance of doubt, if the consumer is party to the fraud or dishonesty, this is not an APP scam for the purpose of the FPS reimbursement requirement or the FPS reimbursement rules.

- **Authorisation**, for the purpose of this requirement, in the context of a payment means that the payer has given their explicit consent to:
 1. the execution of the payment transaction, or
 2. the execution of a series of payment transactions of which that payment transaction forms part
- **Business day**, for the purposes of this requirement, means any day (period of 24 hours beginning at midnight) that is not a Saturday or Sunday, or a bank holiday in any part of the United Kingdom.
- **Consumer**, for the purposes of this requirement, refers to service users of PSPs. These are individuals, microenterprises (enterprises that employ fewer than ten persons and have either an annual turnover or an annual balance sheet total that does not exceed €2 million) or charities (a body whose annual income is less than £1 million per year and is a charity as defined by the Charities Act 2011, Charities and Trustees Investment (Scotland) Act 2005 or the Charities Act (Northern Ireland) 2008).
- **Consumer standard of caution exception** is defined by the PSR in its publication: The Consumer Standard of Caution Exception.
- **Directed PSP** means a PSP participating in the Faster Payments Scheme to which Specific Direction 20 (Faster Payments APP scams reimbursement requirement) applies.
- **Faster Payments Scheme** or **FPS** means the Faster Payments Scheme, a regulated payment system designated by Order from the Treasury on 1 April 2015.
- **FPS APP scam claim** means one or more FPS APP scam payments made as part of an APP scam and made to the victim's PSP.
- **FPS APP scam payment**, for the purposes of this requirement, means an APP, authorised by a victim as part of an APP scam, that has all the following features:
 1. It is executed through the Faster Payments Scheme.
 2. It is authorised by a PSP's consumer.
 3. It is executed by that PSP in the UK.
 4. The payment is received in a relevant account in the UK that is not controlled by the consumer.

5. The payment is not to the recipient the consumer intended, or is not for the purpose the consumer intended.
- **FPS reimbursement requirement** means the obligation conferred on directed PSPs under paragraph 3.1 of Specific Direction 20 (Faster Payments APP scams reimbursement requirement).
 - **FPS reimbursement rules** means any rules created as a result of this specific requirement, imposed on the Faster Payments ~~Scheme~~-operator to create and implement rules on PSPs reimbursing their consumers when they fall victim to APP scams.
 - **FPS rules** means all rules created by the Faster Payments operator which relate to and/or govern the access to and/or participation in the Faster Payments Scheme by PSPs (whether members or non-members).
 - **Indirect access provider** means a PSP with access to the Faster Payments Scheme that has an agreement or arrangement with another person for the purpose of enabling that other person (the 'indirect customer PSP') to provide services for the purposes of enabling the transfer of funds using the Faster Payments Scheme or to ~~become~~ become a PSP in relation to the Faster Payments Scheme.
 - **In-scope payment** means any payment, authorised by a consumer, that has all the following features:
 1. It is executed through the Faster Payments Scheme.
 2. It is authorised by a PSP's consumer.
 3. It is executed by that PSP in the UK.
 4. The payment is received in a relevant account in the UK that is not controlled by the consumer.
 - **Member of the Faster Payments Scheme** means a directly connected settling or directly connected non-settling participant.
 - **Operator** has the same meaning as under section 42(3) of FSBRA in relation to the Faster Payments Scheme. The term Faster Payments ~~Scheme~~-operator is to be understood accordingly.
 - **Participant** has the same meaning as under section 42(2) of FSBRA.
 - **Payment system** has the same meaning as under section 41(1) of FSBRA.
 - **Payment Systems Regulator (PSR)** is the body corporate established under section 40 of FSBRA.

- **Payment service provider (PSP)** has the same meaning as under section 42(5) of FSBRA.
- **Receiving PSP** means a PSP providing a ~~relevant~~ relevant account into which APP scam payments are received. Any references to receiving PSP in the singular may also be read in the plural where an FPS APP scam claim includes payments to more than one receiving PSP.
- **Reimbursable FPS APP scam payment** means an FPS APP scam payment where the consumer standard of caution exception does not apply, the victim is not party to the fraud or claiming fraudulently or dishonestly to have been defrauded and the claim was made within the time limit set out in the reimbursement rules.
- **Relevant account** means an account that is provided to a service user, is held in the UK and can send or receive payments using the Faster Payments Scheme, but excludes accounts provided by credit unions, municipal banks and national savings banks.
- **Repatriation** means where a receiving PSP is able to detect, freeze and return funds transferred as part of an FPS APP scam payment.
- **Sending PSP** means a PSP that provides a relevant account for a consumer, from which the FPS APP scam payment was made.
- **Service user** means a person who uses a service provided by a payment system and is not a participant in that payment system.
- **Victim** means a consumer who has made one or more FPS APP scam payments.
- **Vulnerable consumer** has the same meaning as when the term is used by the FCA in its *Guidance for firms on the fair treatment of vulnerable customers*², namely that a vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to harm – particularly when a firm is not acting with appropriate levels of care.

Made on ~~19 December 2023~~ **Chris Hemsley**
 Managing Director [date] [Name]
 [Job title]
 Payment Systems Regulator

² www.fca.org.uk/publications/finalised-guidance/guidance-firms-fair-treatment-vulnerable-customers

Status of requirements

Requirements give rise to binding obligations. Breaching a requirement is a compliance failure which makes a party liable to regulatory sanction.

Annex 5

Draft cost benefit analysis

We have assessed the impacts of our proposed amendments to Specific Direction 20 (SD20) and data reporting requirements against the baseline scenario that we set out below. Our baseline is that without these changes:

PSPs using a system to manage FPS APP scam claims would continue to do so, PSPs not currently using a system would report manually

Pay.UK would have to obtain the data and information it needs to monitor compliance with the FPS reimbursement rules through ad hoc information requests from the PSR to PSPs (such as using our information gathering powers, including making Section 81 requests)

The main costs to the proposal will be the direct costs to PSPs of using the RCMS and the initial administrative and resource costs from manual reporting of data to Pay.UK until the RCMS is in place. However, there are significant network effects that will come from all PSPs using the same system for managing, communicating and reporting data on APP scams claims. This will also lead to more efficient implementation of the policy and monitoring of compliance with the policy. Therefore, as we set out below, we believe that, relative to the counterfactual, the benefits of our proposed changes to SD20 are likely to substantially outweigh the expected costs.

Policy context

5.1 This draft cost benefit analysis (CBA) is based on our proposals as set out in this consultation paper. All statements we make in this CBA are working hypothetical scenarios for the purpose of the CBA analysis only, without pre-judging or determining the post-consultation outcome.

5.2 We are consulting on amendments to SD20. SD20 contains the FPS reimbursement requirement and directs in-scope PSPs to comply with the FPS reimbursement rules. Our amendments will require all directed PSPs to:

- Register with Pay.UK as RCMS users; this will help Pay.UK to onboard all in-scope PSPs and set up a directory by the start date of 7 October this year.
- Comply with the FPS reimbursement claim management system rule.
- Use Pay.UK's RCMS to manage, communicate, collate, retain and provide data for FPS APP scam claims to Pay.UK to monitor compliance. On the policy start date, the RCMS functionality will enable sending PSPs to find contact details for the receiving PSP so that they can notify them of FPS APP scam claims received. The other features will be available by 1 May 2025.
- Have arrangements in place to inform their customers who are consumers of their rights under the FPS reimbursement rules.

- 5.3** In SD19 we directed Pay.UK to monitor compliance with the FPS reimbursement rules, but Pay.UK does not have the power to compel PSPs to report their compliance data and information to it. Therefore, we propose to amend SD20 (which applies to PSPs) to require them to provide data and information to Pay.UK so it can monitor PSPs' compliance with the FPS reimbursement rules. Pay.UK will also provide reports of this data and information to PSR so we can monitor compliance with our Faster Payments APP scams directions.
- 5.4** Alongside this consultation we have published guidance, referred to as the compliance data reporting standards (CDRS), to set the data and information that PSPs must collate, retain and provide to Pay.UK. SD20 will require PSP compliance with the CDRS. It provides for two data reporting standards:
- **Reporting standard A:** This will require all in-scope PSPs to collate and retain core compliance data and information. PSPs will provide this data manually to Pay.UK until the full RCMS is in place.
 - **Reporting standard B:** This is a fuller set of data and information that all in-scope PSPs will have to collate and retain for Pay.UK. Reporting will be automated through the RCMS and we propose that reporting standard B comes into effect from 1 May 2025.
- 5.5** The proposed amendments to SD20 also require PSPs to retain all the data and information specified under the CDRS for five years from the date they collect it. Additionally, if Pay.UK makes a reasonable and appropriately scoped request for information as part of its compliance monitoring activities, all PSPs will be required to respond in the timeframe set by Pay.UK.
- 5.6** Pay.UK will use PSPs' data to identify potential non-compliance with the FPS reimbursement rules and may take compliance management steps with direct PSPs. We also have a role in managing indirect PSPs' compliance. We are responsible for monitoring the compliance of all PSPs with our directions and requirements. This includes Pay.UK's compliance.

Amendments to other Faster Payments APP scams directions

- 5.7** We are also proposing to place reasonable limits on what Pay.UK can use the data and information it receives for, through amendments to SD19.
- 5.8** We have also set out proposed changes to Specific Requirement 1 to clarify the circumstances in which we require Pay.UK to notify us of changes to its rules. While these are important amendments that provide additional clarity on the functioning of the reimbursement policy, we do not focus on them in this CBA as they are procedural requirements that Pay.UK must meet.

Our assessment of the baseline scenario

- 5.9** In this CBA, we analyse the incremental impact of our amendments to SD20 on PSPs, against the baseline scenario of what would be likely to happen if there is no requirement for all PSPs to join a centralised system (the RCMS) for managing claims and communicating and reporting data, and there are no defined requirements set by the PSR on PSPs for data reporting to Pay.UK.
- 5.10** Without our intervention, Pay.UK cannot require all PSPs to use the RCMS. This is because it can only reach direct Faster Payments participants through its rules, and has minimal deterrent

and enforcement powers. We assess the overall costs and benefits of our proposed changes, rather than looking at separate costs and benefits for individual proposed amendments.

- 5.11** In the baseline scenario, the existing provisions of SD20 on PSPs and SD19 on Pay.UK still apply. PSPs would either have to rely on their current ways of managing APP scam claims by communicating with other PSPs (where they have an approach in place) or invest in new systems. Either way, without a single RCMS for two or more PSPs involved in an APP scam claim, they would have to communicate by more manual means such as email. The RCMS will streamline their communication and support smooth implementation of the policy to the benefit of service users. It will enable the reimbursable contribution amount to be attributed to the receiving PSP, leading to better outcomes for both PSPs and their customers. It will also reduce the reporting burden on PSPs to provide data and information to Pay.UK.
- 5.12** To monitor compliance with the FPS reimbursement rules, in the baseline scenario with no data collation, retention and reporting requirements on PSPs, Pay.UK would likely have to rely on voluntary reporting from all PSPs (around 900) using Faster Payments, which by definition would not be enforceable by Pay.UK.
- 5.13** Alternatively, we would have to issue information requests to PSPs under Section 81 of the Financial Services (Banking Reform) Act 2013 (FSBRA). We would then share this information with Pay.UK so it could monitor compliance. This would be burdensome for PSPs, Pay.UK and us. By providing two phased reporting standards, our proposed amendments to SD20 will:
- reduce administrative and reporting burdens for PSPs in the medium and long term
 - enable Pay.UK to fulfil its obligations under SD19 to monitor PSPs' compliance with the FPS reimbursement rules

Our overall assessment of the costs and benefits

Table 1: Summary of main costs and benefits

Benefit	Magnitude	Cost	Magnitude
More efficient implementation of the reimbursement policy	High	Direct costs to PSPs for using the RCMS	Medium
Smoother running of APP fraud data reporting	Medium	Administrative and other resource costs	Medium in the interim period, low thereafter
Effective monitoring of compliance	High	Constraining PSP choice of claims management system	Low
Level playing field for PSPs	Medium		

Costs

Direct costs to PSPs for using the Pay.UK procured data solution (RCMS)

- 5.14** The mandatory use of the RCMS will result in a direct cost to PSPs. The cost per year of operating this system, that Pay.UK would be looking to recover from industry starting from 2025, would be approximately 10% to 13% higher than the current cost of using Faster Payments. This would include onboarding, training and setting up costs, as well as ongoing costs for Pay.UK's running and maintenance of the system. These costs will not be recovered by charging PSPs large fixed fees during registration or complex tariffs that may disadvantage smaller PSPs. Pay.UK is exploring options for a pricing model that is based on POND principles (proportionate, objective and non-discriminatory), and pricing is expected to be based on Faster Payments transaction volumes, APP scam case volumes, or a combination of both. Therefore, the cost of using the system is likely to be proportionate to the size and scale of scams and not be equally split across all the PSPs that are in scope of the direction. While this is a might be a sizeable cost to some firms, is it likely to be only marginally higher than, if not similar to, the costs that many PSPs would face in the baseline scenario.
- 5.15** For many PSPs, the RCMS would replace their existing fraud management tools, which they already spend on and would be likely to continue to spend on in the baseline scenario. The incremental cost is the once-off adoption and training costs associated with using the RCMS.
- 5.16** Some PSPs do not currently use fraud management systems. For them, the direct costs would include the (new) actual cost of using the RCMS, in addition to training and adoption costs. In the absence of the RCMS, PSPs with no existing systems in place would, in any case, have to invest in their capacities in this area even in the baseline scenario of no requirement to join a single system and the use of more manual processes of claims management, reporting and communication.

Administrative and other resource costs to PSPs

- 5.17** The proposed amendments to SD20 will have an impact on:
- the administrative costs of managing claims (due to the proposed Faster Payments RCMS rule)
 - the administrative and resource costs of reporting data to Pay.UK (due to the proposed requirements in the CDRS)
 - the marketing and communications costs (due to the proposed requirement to inform customers of their rights under the Faster Payments reimbursement rules)
- 5.18** Adoption of a single claims management tool across the industry will lower the costs associated with managing cases, reimbursing consumers, and informing receiving PSPs of claims compared to the baseline scenario where PSPs may adopt different and incompatible systems. Without a single system for managing Faster Payments APP scams reimbursement there would be additional administrative costs of managing and coordinating reimbursement of claims. While the impact of this cost reduction affects all PSPs, PSPs already using a commercial system for inter-PSP communication will see a slightly smaller reduction in costs, due to the likelihood that they will have to maintain both systems for an interim period.
- 5.19** All directed PSPs will also face a marginal, one-off increase in their marketing and communication costs as a result of the proposed amendment to SD20 that will require them to inform their customers (who are 'consumers') of their rights under the FPS reimbursement

rules.³ This action is one that we would expect most PSPs to undertake even without being required to by the PSR, but would pose a small additional cost for those PSPs that would not have done so but for the requirement.

- 5.20** The data reporting to Pay.UK will have different impacts on administrative costs for PSPs over time:
- In the period from the policy start date until the fully-functional RCMS goes live, manually reporting data under reporting standard A will likely increase administrative and resource costs as data will need to be reported on a monthly basis to Pay.UK. We are reducing this cost by only requiring PSPs to report a subset of data points to generate a core set of metrics for compliance monitoring in this period.
 - Once the single RCMS is in place, the additional reporting cost will likely be almost fully avoided due to automatic reporting of data and information under reporting standard B.
- 5.21** However, under reporting standard B, PSPs will have to collate and retain a fuller set of data and information for Pay.UK. This will increase the burden on fraud claim handlers, who will need to include additional claim details – for example, permitted reason codes for ‘stopping the clock’ under our policy. While this will marginally increase time spent on managing the case, we expect any increase in time and corresponding costs to be offset by the increased efficiencies in case management due to network effects of using the RCMS (i.e., the positive impact of having all PSPs on the same system). In addition, we would expect PSPs to already be collecting this information when they assess and manage APP scam claims, at present and in the baseline scenario.
- 5.22** There is a broader requirement on PSPs to respond to reasonable requests for information from Pay.UK to enable it to monitor and manage compliance. These requests would sit outside of standard reporting and would require administrative resource to prepare. However, limiting the requests to those which are reasonable and appropriately scoped, as per our proposed amendments to SD20, will also help to manage and protect PSPs against the additional costs associated with these requests becoming excessive or unreasonable.
- 5.23** By setting out and requiring the reporting of the key data points needed to monitor compliance under both reporting standards (the manual process in reporting standard A and the automatic process via the Pay.UK RCMS in reporting standard B), the reduction in time saved and administrative costs applies not just to the PSPs. As set out above, in the baseline scenario, the PSR would likely need to issue Section 81 requests to all in-scope PSPs or rely on voluntary reporting to Pay.UK and the PSR to access the necessary data to ensure compliance. The proposed amendments would therefore reduce the administrative and resource costs on the PSR for compliance monitoring against the baseline.
- 5.24** As set out in our June and December policy statements⁴, the reimbursement policy is likely to lead to increased administrative costs for PSPs. Although PSPs noted that these costs would be substantial, we did not receive any data on administrative costs from PSPs to estimate this cost of the reimbursement policy and this remains the case for this CBA as well. This analysis is only concerned with assessing any additional administrative costs as a result of the

³ The customers must meet the definition of a consumer as specified in paragraph 9.4 of SD20.

⁴ Cost benefit analyses in PS23/3, Fighting authorised push payment fraud: A new reimbursement requirement (June 2023), Annex 4 and PS23/4, Fighting authorised push payment scams: final decision (December 2023), Annex 1

proposed amendments to SD20. We believe that changes to SD20 will likely result in higher costs in the interim period. From there on out, we expect costs to decrease, as set out above.

Constraining PSP choice of claims management system due to the 'Faster Payments APP scams system rule'

- 5.25** The proposed amendment to SD20 directs all PSPs to comply with the FPS reimbursement claim management system rule, which requires PSPs to use the Faster Payments PSO's claim management, communication and data reporting system (the RCMS). This would mean that by 30 April all PSPs must have registered and onboarded to Pay.UK's system, and on 1 May 2025 all PSPs will be required to use Pay.UK's system. We have considered the risk that this rule restricts PSPs' choice in selecting a claims management system and does not allow for new suppliers of this service to enter the market in the future.
- 5.26** This rule could weaken incentives for other service providers to enter into this market to provide a claims management, communication and data reporting system for APP fraud to PSPs. However, the efficiency of using the system comes from the fact that all PSPs that use Faster Payments and are in scope of the reimbursement rules will all be connected to the same system. Pay.UK procured this provider through a competitive tender process and so we consider the cost of competition being restricted to be minimal relative to the benefits of all PSPs being able to communicate, manage reimbursement of claims and report data on the same system.

Benefits

More efficient implementation of the reimbursement policy

- 5.27** The proposed 'FPS reimbursement claim management system rule' to require all PSPs to use the RCMS will facilitate the smoother running of the policy as PSPs will have a single tool for managing Faster Payments APP scam reimbursement to consumers. By having all PSPs connected to the same system and enforcing coordination, we expect there to be positive externalities in the form of substantial time and cost savings as compared to the baseline where there is no centralised system for secure inter-PSP communication and data reporting. Furthermore, multiple system solutions for inter-PSP communication and reimbursement could lead to confusion and negative externalities in the form of increased costs of managing cases, reducing the positive network effects.

Level playing field for PSPs

- 5.28** The proposed FPS reimbursement claim management system rule will result in a level playing field for inter-PSP communication. Directing all PSPs to use the same system will ensure that smaller PSPs are not at a disadvantage and have access to the same systems and functionality for inter-PSP communication and claims management as larger, more established firms without incurring excessive costs. The RCMS could also help ensure that consumers who are victims of APP scams will have a more consistent experience when notifying sending firms of an APP scam claim as PSPs' systems will be more compatible with each other and claims will be resolved more efficiently.

Effective monitoring of compliance

- 5.29** The proposed reporting standards cover the data points needed for Pay.UK to monitor PSPs' compliance with the FPS reimbursement rules, which is required of Pay.UK under SD19. The amendments also enable Pay.UK to request PSPs to provide and respond to requests for

additional data or information that Pay.UK may need to monitor and manage compliance with the FPS reimbursement rules. Effective monitoring of compliance will further incentivise PSPs to follow the FPS reimbursement rules and support good outcomes for service users.

- 5.30** Furthermore, the proposed centralised and mandated use of the RCMS will ensure that the collection and reporting of data is consistent across all PSPs in the industry.
- 5.31** In the baseline scenario without these reporting standards reflected in SD20, Pay.UK would be reliant on voluntary reporting from PSPs for monitoring compliance with the reimbursement rules. Alternatively, Pay.UK would be reliant on receiving data through the PSR issuing section 81 requests to all in-scope PSPs. This would come at a cost to the PSR and PSPs as it would involve more resources to manage. Furthermore, it would be an inefficient method to monitor compliance, especially in the long term as without regular reports on PSPs' reimbursement rates, the PSR would have to make ad hoc requests to firms to submit data on Faster Payments APP scam reimbursement. Thus, in comparison to the baseline, the proposal would enable a more effective monitoring and compliance regime.
- 5.32** There are additional positive network externalities of having a centralised system run by the Faster Payments PSO to manage the communication, reimbursement, and data collection components of the APP scam case. Having all PSPs using Faster Payments on the system with the capability to communicate in real-time to APP scam reports could have an impact on increased recovery of APP fraud from receiving PSPs.

Smoother running of the Measure 1 APP fraud data reporting

- 5.33** The FPS reimbursement claim management system rule is also likely to result in the smoother running of the Measure 1 work on the publication of APP fraud data in the longer term. The most laborious and time-consuming part of the Measure 1 work for PSPs that are identified as top receivers of fraud is the process of querying and challenging the data that relates to APP scams sent to their accounts. These PSPs are allowed to request further details from the relevant sending PSPs where they see a material difference between the data submitted and their internal records of fraud received. The use of one system for all PSPs will materially reduce these differences between records of fraud sent between sending and receiving banks and make the checking process work quicker and smoother.

Conclusion

- 5.34** While the costs that are likely to be imposed on PSPs by our proposed FPS reimbursement claim management system rule are not immaterial, the reduced administrative costs once the system goes live should reduce this burden. The data reporting regime is an important component of ensuring that the policy is being implemented consistently and ensuring that consumers are being appropriately reimbursed. We have weighed these costs against the benefits that a smooth and coordinated implementation process and an effective compliance monitoring regime will have on consumer and PSP outcomes, and consider it very likely that these proposals will ultimately reduce the net costs, relative to a baseline where we do not intervene, to the benefit of consumers and PSPs.
- 5.35** We have considered that there is a burden on PSPs to collect and report data manually, both in regards to the amount and the level of detail of the data, for the initial period under reporting standard A. However, we have taken a measured approach to only require the minimum standard of compliance data required to assess whether the core policy requirements under SD20 are

being followed. We expect this cost of reporting to be short-lived (8 months, at most), and likely to overlap with APP fraud reporting requirements under SD18 for some PSPs.

- 5.36** Overall, we consider that the benefits of our proposed amendments are likely to outweigh the incremental costs they would impose on PSPs.

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