

Policy statement

Faster Payments APP scams reimbursement requirement: Confirming the maximum level of reimbursement

October 2024

Contents

1	Executive summary	3
2	Introduction	6
3	Consultation feedback and our analysis	9
4	Proportionality, cost benefit analysis and equality impact assessment	27
5	Next steps	30

1 Executive summary

As we announced on 25 September, we have decided to start the maximum level that payment service providers (PSPs) will have to reimburse victims of Faster Payments authorised push payment (APP) scams at £85,000 per claim, from 7 October 2024. This level will mean 99.8% of all Faster Payments APP scams by volume, and 90% by value, are fully reimbursed, providing they fall in scope of the policy. It will also mitigate possible prudential risks to PSPs, thereby protecting their customers from any potential long-term adverse impacts. We consider this to strike an appropriate balance having regard to all of the PSR's statutory objectives.

Implementing the reimbursement scheme on 7 October 2024 ensures that consumers will benefit from the world-leading protections as soon as possible.

We will keep the level under review and consider it as part of our 12-month evaluation of the reimbursement policy. While the confirmed maximum level is in line with the current Financial Services Compensation Scheme (FSCS) deposit limit, it will not automatically track any changes to the FSCS limit going forward, but it will be taken into account as part of our review of the maximum level.

The Bank of England, as the operator of CHAPS, has also decided to set the maximum level for CHAPS APP scams to £85,000 per claim. This reflects careful consideration of the feedback received including the benefits to industry and consumers of having consistent levels as well as the impact on consumers.

- 1.1** In December 2023, we set the maximum level of reimbursement for the APP scams reimbursement requirement at £415,000 per Faster Payments APP scam claim. This followed considerable stakeholder engagement and consultation and was based on the information and evidence available to us at that time. Recognising the difficult trade-offs involved in setting the maximum level, and the significant feedback we had received, we committed to reviewing it prior to the policy start date of 7 October 2024, and to consider changing it if there was convincing evidence for us to do so. The Bank of England, as the operator of CHAPS, also set a maximum level of reimbursement of £415,000 per CHAPS APP scam claim, emphasising the benefits of consistency.
- 1.2** Following this review and continuing concerns raised by a number of stakeholders, about the potential impacts of the £415,000 maximum level, including on their businesses, on 4 September 2024 we published a consultation on changing it to £85,000 per Faster Payments APP scam claim. We set out the factors that we are focused on, which are: 1) the level of PSP liability; 2) the ability of the maximum level to cover the majority of cases; and 3) appropriate coverage of all fraud types, to incentivise PSPs' anti-fraud measures. We were clear that we also want to ensure that the reimbursement requirement remains proportionate and supports innovation, effective competition and growth in UK payments to the benefit of all end users, in line with our objectives and regulatory principles. As part of this assessment we have considered a range of factors, with a consumer-focused lens, and we have paid close attention to concerns put to us about the potential impact in terms of both PSP solvency and investor confidence on competition and innovation in UK

payments, concerns we have continued to hear throughout development of the policy. We also included a question about the maximum level for CHAPS, so that the responses could be fed into the Bank's decision-making.

- 1.3** We received 147 responses to our consultation, of which 100 were from individual consumers, and 47 from industry, industry bodies, consumer and other organisations. We are grateful to all stakeholders who took the time to respond and we have carefully considered all information we received in reaching our decision.
- 1.4** On 25 September 2024, after having considered all responses and relevant information, we published our decision to implement the policy with a maximum level of reimbursement of £85,000 per Faster Payments APP scam claim. The Bank of England (the Bank), which is responsible for setting the maximum level of reimbursement for CHAPS, has considered the responses it received on the CHAPS level as part of our consultation and decided to also change the maximum level for CHAPS, to align with Faster Payments.
- 1.5** We published the decision, and our Notice of Value (the legal document containing the maximum level of reimbursement for Faster Payments) on the day of the decision because we wanted to provide timely certainty about the maximum level ahead of the 7 October 2024 policy start date, to support implementation of the policy. We consider it of vital importance that the policy goes live on this date to deliver a significant step-up in protections for APP scam victims and drive increased confidence in UK payments.
- 1.6** We are now publishing our policy statement which:
- provides an overview of the responses we received to the consultation
 - sets out how we have considered and weighed the responses and information received through the consultation in reaching our view
 - explains the reasons for our decision on the maximum level.
- 1.7** This decision required us to balance a range of considerations to achieve our policy objectives within the framework of our statutory duties and objectives, and our regulatory principles. This was a carefully balanced decision, which has involved the exercise of our regulatory judgement. We have had regard to timing considerations, the level of the maximum level itself, and the evolution of that level. As set out further in this policy statement, this has included weighing the potential effects of a change in maximum level in the light of the implementation date, the detrimental impacts on consumers of a delay to the start date, the nature of the risks posed by the higher level, and the impact of those risks on the wider sector and consumers, by reference to our statutory objectives and regulatory principles.
- 1.8** Having considered all the evidence, we have decided to retain the start date of 7 October 2024 and to set the maximum level at £85,000 per Faster Payments APP scam claim. This ensures that almost all APP scam victims are reimbursed at the earliest possible opportunity, while continuing to incentivise all PSPs to continue to improve their fraud controls. It also seeks to mitigate the potential prudential risks to PSPs associated with a higher maximum level, which could directly or indirectly impact on investment and therefore innovation and competition. As previously signalled, we will review the maximum level when we review the whole policy package, once it has been in place for 12 months and will continue to monitor the impact in the meantime.

- 1.9** Our September 2024 consultation also proposed that the maximum level of reimbursement would automatically track any changes to the FSCS limit, and change should that limit change. The vast majority of respondents did not support this proposal. Having considered the representations on this subject, we now consider it important that any change to the maximum level be at the PSR's discretion, based on up-to-date fraud information and data, and subject to consultation, before any future changes come into effect. Equally, we continue to recognise the merits of the maximum level being a figure that consumers are familiar with. Therefore, should the FSCS limit change, the PSR will review the maximum level within a reasonable period of time. There is a statutory requirement for the PRA to review the FSCS limit before end of 2025. If this review results in any change to the limit, we will be able to take it into account before we finalise our 12 month evaluation of the reimbursement requirement.
- 1.10** The Bank also considered feedback provided in response to question 4 in the September 2024 consultation, which asked about the maximum level of reimbursement for CHAPS. The Bank has also decided to set the maximum level for CHAPS APP scams to £85,000 per claim. This reflects careful consideration of the feedback received and the data currently available to the Bank. This was a carefully balanced decision, with the Bank weighting the benefits to industry and consumers of having consistent levels across Faster Payments and CHAPS alongside the impact on consumers. The Bank is committed to reviewing this level next year.

2 Introduction

This policy statement summarises the responses to our consultation, our views on points raised by respondents, and how we weighed the evidence and information in reaching our decision.

Background

- 2.1** In September 2022, as part of *CP22/4 Authorised push payment (APP) scams: requiring reimbursement*, we consulted on having no maximum level of reimbursement per Faster Payments APP scams claim, mirroring the current approach under the Contingent Reimbursement Model (CRM) Code. We heard concerns from stakeholders about the risks that this would introduce, and, following consultation on options, in December 2023 we confirmed a level of £415,000 per Faster Payments APP scams claim.¹
- 2.2** We have worked closely with stakeholders to support effective implementation of the policy through an extensive programme of stakeholder engagement, the establishment of a policy clarifications process, and close ongoing engagement with Pay.UK and its sessions with industry to ensure all that is necessary for effective delivery of the policy is ready for the policy start date. We recognise the work that is required to deliver such an ambitious and world-leading policy and we remain grateful to stakeholders for their efforts to ensure readiness for the 7 October 2024 policy start date. We will continue to work with stakeholders after the policy has gone live to support ongoing effective consumer reimbursement in line with the policy.
- 2.3** Recognising the particularly high level of feedback we received on the level of the maximum claim level, and the difficult trade-offs involved, in *PS23/4 Fighting authorised push payment scams: final decision* we committed to monitoring the incidence and impact of high-value scams before the policy start date. We also committed to reviewing the evidence to assess whether there is a need to change the Faster Payments APP scams maximum level of reimbursement. For the purposes of our monitoring work, we considered 'high-value scams' to be closed APP scams cases with a total value above £85,000.
- 2.4** Following our consideration of the latest relevant information – including the findings of our pre-implementation review, and the sustained feedback we heard about the risks and potential impacts of a higher maximum level of reimbursement, as well as engagement with the FCA on understanding potential prudential risk, we deemed it appropriate to consult on whether to implement the policy with a lower maximum level of reimbursement, set to the FSCS deposit limit (currently £85,000). We were mindful of the views expressed – directly to the PSR and through routine engagement with HM Treasury, trade associations, and other representative bodies – around the potential impact of both PSP solvency and investor confidence on competition and innovation in payments, including that the reimbursement requirements may lead to the insolvency of some firms, both bank and non-bank PSPs (and particularly small firms) that may not

¹ <https://www.psr.org.uk/publications/policy-statements/ps234-app-scams-reimbursement-policy-statement/>

be able to immediately afford to meet their reimbursement liabilities, invest in financial crime controls or meet additional operational costs.

2.5 We listened to these concerns and considered them in the light of the potential wider impacts on service users, competition and innovation, including by reference to potential reduction in investor appetite in the sector and the consequential follow-on effects on consumers. This consultation, CP24/11 [Faster Payments APP scams: Changing the maximum level of reimbursement](#), which includes the findings of our pre-implementation review, was published on 4 September 2024 and closed on 18 September 2024.

2.6 When taking this decision to launch the consultation, we were cognisant of the proximity to the policy start date, and the potential costs associated with a change in the maximum level at this stage. We also took into account the costs and potential confusion associated with a delay to the start date of 7 October 2024. We placed particular importance on protecting this date because of its vital importance in delivering significant benefits to the vast majority of consumers who fall victim to an APP scam.

Feedback received and our approach

2.7 We received 147 responses to this consultation.² We have carefully reviewed and analysed all responses and assessed the evidence available to make a decision on the appropriate maximum level of reimbursement to be in place from 7 October 2024, using the latest available information, recognising the importance of confirming the maximum level and ensuring this important consumer protection is in place for 7 October 2024, without delay. In taking this decision, we have carefully considered the probative value of evidence and views provided. We have taken care with known data challenges and uncertainties, including in light of the consultation duration. We have adopted a qualitative approach where the evidence is such that firm quantitative conclusions should not be drawn. This includes adopting a cautionary approach where we consider it appropriate – for example to navigate known uncertainties and risks that are difficult to quantify, relative to our statutory objectives and regulatory principles.

2.8 We are grateful to all those who took the time to provide detailed responses to this consultation, and throughout the development of this policy, and to those who provided evidence to support their response, including those consumers who shared their experiences of falling victim to an APP scam and industry members who shared additional data and information for our consideration.

2.9 In setting the maximum level of reimbursement for the policy start date of 7 October 2024, we remain focused on consistently assessing the level against the factors that we set out in our December 2023 policy statement:

- the level of PSP liability
- the ability of the cap to cover the majority of cases
- appropriate coverage of all fraud types to incentivise PSP anti-fraud measures.

² Our consultation document stated that the PSR would consider requests to facilitate the consultation process – for example receiving views orally via meetings as well as view written submissions. Our review includes those representations made, and one oral submission.

2.10 We also remain focused on ensuring that our requirements will:

- provide greater protections to consumers using Faster Payments, driving increased trust and confidence
- make sure PSPs have the right incentives in place to drive fraud out of their systems
- support growth and innovation in the UK payments industry through increasing trust and confidence.

2.11 In maintaining the policy start date while making this change to the Faster Payments APP scams policy, we remained focused on:

- ensuring procedural fairness
- providing optimal protection to consumers as soon as possible
- reducing costs, disruption and consumer confusion from the change in the maximum level.

3 Consultation feedback and our analysis

This chapter provides an overview of the feedback we received on our proposals and our analysis of it. We have made a carefully balanced decision that:

- from the policy start date of 7 October 2024, the maximum level of reimbursement per Faster Payments APP scam claim is £85,000. PSPs may choose to reimburse consumers above that level, and any such reimbursement would be considered a voluntary reimbursement, as per paragraph 4.6 of Specific Requirement 1 (SR1)³
- we will keep the maximum level under review and consider it as part of our evaluation of the reimbursement requirements as a whole package, after the policy has been in place for 12 months.

The Bank is responsible for setting the maximum level of reimbursement for CHAPS. It has decided to align the maximum level for CHAPS with Faster Payments. The maximum level of reimbursement for both systems will therefore be £85,000 per claim.

Proposal: to set the maximum level of reimbursement to the FSCS deposit limit (£85,000)

- 3.1** In our December 2023 policy statement confirming the maximum level of reimbursement as £415,000 per Faster Payments APP scam claim, we assessed the prudential risks to PSPs as low, based on the evidence available to us. At that time, we used industry data which suggested a significant proportion of total fraud value would sit above a maximum level of £85,000. We had some concerns about the value of investment fraud in particular, which would sit above this value. This led us to the view that a maximum level of £415,000 per Faster Payments APP scam claim would strike the right balance between protecting nearly all consumers and incentivising PSPs to improve their fraud protections, while providing the certainty to PSPs of a known level and capping their liability.
- 3.2** We also committed to undertake a pre-implementation review to monitor the incidence and impact of high-value scams, and to review the maximum level of reimbursement before the policy start date, if there was convincing evidence for us to do so.
- 3.3** In the September 2024 consultation, we set out our provisional view that a maximum level of reimbursement, set to the FSCS deposit limit (currently £85,000), would strike a balance between protecting and reimbursing nearly all consumers who fall victim to an APP scam, and protecting PSPs from the potential prudential impacts of being required to reimburse potentially very large frauds that could affect their financial viability. We stated that we

3 <https://www.psr.org.uk/media/wh5gpfu0/specific-requirement-1-pay-uk-to-amend-fps-rules-dec-2023.pdf>

consider that the proposed level would incentivise PSPs to improve and maintain anti-fraud measures, for potential fraud of all values.

3.4 We set out a number of reasons why we considered this an appropriate initial maximum level of reimbursement for Faster Payments, including:

- it would still provide strong incentives for all in-scope PSPs to take steps to prevent APP fraud and invest in anti-fraud measures
- our pre-implementation review shows that 99.8% of all APP fraud cases by volume would still fall below the maximum level, and around 90% of APP fraud value would be reimbursed. This has given us a more up-to-date understanding about the expected level of coverage under our policy, with a maximum level of reimbursement of £85,000
- this is a figure recognisable to consumers in the context of protecting their money, which would help with consumer understanding and awareness.

3.5 We also set out the three relevant factors that we had considered in setting the maximum level of reimbursement in December 2023:

- the level of PSP liability
- the ability of the cap to cover the majority of cases
- appropriate coverage of all fraud types to incentivise anti-fraud measures.

3.6 In addition to the three factors above, in our December 2023 policy statement, we recognised that stakeholders had raised additional relevant factors, which we had considered as part of the decision-making. These were the impact on PSP solvency, innovation and competition in payments. We also said that it is important that the policy ensures consistent reimbursement outcomes for victims of fraud, and that the maximum level is simple for consumers to understand and for PSPs to apply. This balanced and multi-factored approach was also adopted in the September 2024 consultation document, and equally feeds through to this policy statement.

Feedback received

3.7 We received 147 responses to the consultation. Of these, 120 respondents supported retaining the maximum level of £415,000 per Faster Payments APP scam claim, and twenty respondents (including bodies representing a number of businesses) supported lowering it either in line with our proposal or to another lower level, and seven respondents expressed mixed views (this included one industry trade body whose members were divided in their views). These respondents who expressed mixed views suggested, for example, that the maximum level should be somewhere between the proposed £85,000 and £415,00 or did not express a firm view either way and instead highlighted general views on the potential impacts of changing the maximum level.

3.8 Thirty-two responses were from industry members or industry bodies, five responses came from consumer organisations, four responses were from other stakeholders with specific expertise (such as fraud consultants and academics), two responses were from local government organisations, one response came from an All-Party Parliamentary Group, and one came from a claims management company. These respondents were divided in their views. Of all these respondents, twenty supported the proposal to lower the maximum level to £85,000, twenty did not support the proposal, and five expressed

mixed views or did not express a clear view either way (and instead provided information for us to consider in making our decision).

- 3.9** Respondents generally provided their views on the level being £85,000 as a value, rather than the proposal that it be set to the FSCS limit. Therefore, in summarising their views, we have set them out in reference to the maximum level either changing to £85,000 or remaining at the current £415,000 per Faster Payments APP scam claim. We have provided an overview of the feedback received on whether the maximum level should automatically track the FSCS limit, from paragraph 3.71 below.
- 3.10** Sixteen respondents raised questions about the consultation process and the impact of a relatively short turnaround between the consultation closing and our ability to consider all responses before confirming our decision. We are grateful to all respondents who took the time to provide a response to our consultation and address these points from paragraph 3.81 below.
- 3.11** We have reviewed and considered all responses received. For the purposes of this policy statement, we have summarised the views of respondents by issues raised (i.e., those areas on which we received significant feedback from across respondents) followed by our view on each issue.
- 3.12** We received feedback on the potential implications of a change to the maximum level in respect of the FOS and what this may mean for PSPs (in respect of both potential prudential impacts and on incentives) as well as on consumers. We have summarised the feedback received, and our view, under each relevant sub-heading in this chapter.

Impact on PSPs

- 3.13** We asked respondents to provide representations on the costs, benefits and risks of implementing an initial maximum level of reimbursement of £85,000 per Faster Payments APP scams claim from 7 October 2024, including any prudential impact, any impact on consumer communications planned or completed, and the impact on firms' incentives to put in place effective fraud prevention measures.
- 3.14** We received a broad range of responses in respect of the potential prudential impacts that the proposal to lower the maximum level would have on PSPs. We have summarised the responses to each of the three areas we asked about below.

Prudential impact – what we heard

- 3.15** We primarily received responses from industry and industry bodies on this issue. Seven industry respondents (PSPs and industry organisations or representatives) expressed the view that the proposed maximum level of £85,000 may have a positive impact, supporting PSPs to effectively manage prudential risks. The main points raised by these respondents included that a lower maximum level would:
- support growth and innovation in UK payments
 - lessen the impact of the reimbursement policy on the sector's ability to attract inward investment, and potentially make it easier for the start-up and scale-up of UK fintech
 - be more tolerable for smaller PSPs who aren't private-lending PSPs and who do not benefit from cross-subsidisation in the same way as larger PSPs

- reduce the risks of firms going insolvent or of there being disorderly exits from the market which could negatively impact consumers
- reduce risks and disproportionate impacts on some firms – including the potential widespread insolvency that would be detrimental to consumers, financial stability and economic growth if the maximum level remained at £415,000
- remove the risk of a single fraud case being significantly higher than the minimum capital requirements for some electronic money institutions (EMIs) (noting the additional costs associated with them potentially needing to hold additional capital).

3.16 Twenty-two respondents comprising PSPs, PSP and consumer organisations, an individual consumer and a claims management company were of the view that the proposed change to the maximum level of reimbursement would have limited or no prudential impact on PSPs or had mixed views about the potential impact.

3.17 One industry respondent, a building society, noted that as their accounts generally only hold up to £85,000, there would be no impact on capital assumptions. Another stated that the difference in impact between the two figures is small and does not expect a change to the maximum level to make much of a difference to prudential risk. One industry body also set out that any benefits following a reduction to the maximum level would likely be negated as a result of uncertainty around Specific Direction 20 (SD20) and Pay.UK's Faster Payments reimbursement rules – and that this ambiguity may result in an increase in costs. One also noted that the operational costs of implementing the scheme needed to be properly considered.

3.18 Smaller PSPs shared their view that a lower maximum level of reimbursement would mean that they have additional capital to invest in further fraud prevention measures. Other respondents said that the maximum level of reimbursement would not impact their continued focus on ensuring they have robust anti-fraud measures in place, regardless of their potential liabilities under this policy and the potential maximum level.

3.19 A few respondents expressed the view that the lower level could negatively impact fintechs, especially as they may feature more as a sending PSP as they grow, and that this may increase their potential liability under the policy. Two industry bodies covering a range of payment firms and EMIs felt that there may be a risk of exits and harm to consumer financial wellbeing even with the lower level, and that a level of £30,000 would appropriately mitigate this risk. We also heard from one respondent their view that a tiered approach based on a firm's size and risk profile could be a more appropriate way to set the maximum level, and from another that setting it based on the average value of loss would be appropriate.

3.20 Other points raised included that while some risk is alleviated by a reduction in the maximum level, smaller PSPs continue to have greater exposure to these risks.

3.21 Both respondents who agreed with the proposed change to the maximum level, and those who did not, encouraged us to fully consider the potential impact on PSPs (and in particular the impact on the sending PSP) if more consumers take a case to the Financial Ombudsman Service (FOS) than do now under the CRM Code. Some of the points raised by these respondents included that a change to the maximum level could result in:

- reduced protections for some consumers who would currently be reimbursed in full under the voluntary CRM Code

- an increased share of liability and an increase in complaints for the sending PSP as consumers are more likely to make separate ‘fault-based’ complaints against the sending PSP should they not be reimbursed fully under the APP scams reimbursement requirement
- a potential increase in fault-based complaints for receiving PSPs if fewer consumers are compensated in full under the APP scams reimbursement requirement
- challenges for those PSPs who are solely receiving PSPs looking to grow and become sending PSPs in future, because receiving PSPs will contribute less to APP losses
- increased uncertainty in respect of both liability for PSPs and reimbursement outcomes for consumers, if additional claims go to the FOS.

3.22 The FOS also told us it would expect to receive more ‘fault-based’ complaints from consumers whose losses exceed £85,000, requiring more resource to determine complaints than would be the case under a maximum level of £415,000 per Faster Payments APP scam claim.

3.23 One respondent agreed with the finding of our pre-implementation review that the use of transaction limits may not be as effective a prevention tool as previously thought, to help prevent consumers becoming victims of high-value scams (and PSPs’ ability to protect themselves). This is because of the 411 scams firms reported to the PSR (as part of our pre-implementation review last year) that were over £85,000, almost all were made up of multiple transactions.

Our view

3.24 In setting the maximum level at £415,000 in December 2023, we recognised that doing so involves difficult trade-offs, and this issue had attracted a particularly high level of feedback. We recognised concerns that had been voiced in relation to risk of the higher maximum level (which benefitted more consumers than £85,000) potentially leading to prudential or solvency risk, and, in turn, to unintended ramifications for investment, innovation and/or competition (as well as potential follow-on effects for consumers). We therefore agreed to supplement our existing evidence base by monitoring the incidence and impact of high-value APP scams in the ten months before the start date. We did this to ensure we were able to evaluate the position across a number of dimensions, relative to our statutory objectives and regulatory principles. We set out that we would consider the impact on PSPs, consumers, and competition, and that this monitoring would not be a perfect indication of what will happen after 7 October 2024, because we expect our policy to incentivise a more risk-based approach by firms, and stronger incentives to detect fraud. However, we recognised that it would allow us to add further analysis to our evidence base.

3.25 We have heard consistently throughout the development of the policy that a maximum level of £415,000 poses a risk to international investment into the UK payments sector and may limit the abilities of fintechs and start-ups not yet operating at scale to innovate and continue to operate in the UK. These nascent companies often do or can inject competitiveness and innovation into the market. However, we recognise the challenges in measuring the potential impacts of the policy on them.

3.26 In considering the appropriate maximum level following this consultation, we considered possible levels other than £85,000 and £415,000. The only other specific figure that respondents suggested is £30,000 (to align with the limit under the Consumer Credit

Act 1974). One respondent proposed aligning it to the value of the average APP scam loss. In our view, these alternative options would not deliver on our objective of there being sufficient APP scam coverage by value and volume and would negatively impact consumer protection. While we do not have precise figures, we know that at £30,000, more than 17% of scams by value would not be reimbursed under our policy, with affected consumers having to suffer the loss or try to get their money back another way.

- 3.27** Another respondent suggested a tiering approach based on a firm's size and risk profile. We do not consider this a viable option as it would skew the incentives away from some firms and lead to inconsistent and uncertain outcomes for consumers, and it would also not be possible to implement such an approach ahead of the policy start date. We remain open to considering alternative approaches to setting the maximum level in future.
- 3.28** We have considered the views put forward by respondents on the potential prudential risk associated with a higher maximum level of reimbursement, and the impact of operationalising a maximum level of reimbursement of £85,000 from 7 October 2024. We have also done further work, including engaging further with the FCA, to better understand the potential prudential risk of the reimbursement policy.
- 3.29** We recognise the concerns that with a higher level of reimbursement, there is a risk that the reimbursement requirements could potentially lead to the insolvency of firms (particularly smaller firms) that may face additional challenges meeting their reimbursement liabilities, investing in full end-to-end financial crime controls or meeting additional operational costs. We acknowledge the feedback received that there is a risk that a small number of firms could exit the market as a result of these requirements, but that it is difficult for us to quantify the likelihood of these risks materialising and their impacts. Although the additional evidence is limited, we judge that taking a precautionary approach at this stage is appropriate. We will evaluate the impacts of our policy 12 months after implementation.
- 3.30** We also acknowledge that some firms have lower capital requirements and that a higher maximum level of reimbursement could have a particular impact on these firms – including if they are unable to secure international investment or we see a reduced investor appetite on the basis of their perception of the UK market.
- 3.31** We understand that firms will have varying risk appetites and tolerances based on a number of different factors, of which potential liability under the reimbursement requirement is one. We are seeking to strike an appropriate balance across a range of relevant considerations. This includes delivering effective reimbursement for the majority of APP scam victims and creating strong incentives for investment in combatting fraud. This in turn fosters an environment where the UK payments industry can thrive. Alongside this, we aim to achieve an appropriate balance as regards the potential risk of any negative direct or indirect impacts on investment, competition and/or innovation – for example, from firms being able to effectively manage the potential prudential risk associated with such a significant and impactful policy change. This too can have follow-on effects for the sector.
- 3.32** We did not receive any new evidence or analysis to help us to assess the likelihood of these risks and impacts materialising in quantitative terms but have adopted a precautionary and qualitative approach to stakeholders' persistent concerns about the impact on the sustainability of their business models, and ultimately on the customers they serve should they materialise.

- 3.33** The qualitative evidence we have seen and the analysis we have undertaken shows that there is uncertainty in measuring prudential risk, as well as challenges in measuring the potential impacts on prudential risk, and the associated potential impacts on competition and innovation in payments. From our pre-implementation review, we also know that there is reduced ability for firms to use transaction limits as a tool to prevent high-value scams. Taken together, this means that taking a precautionary approach at this stage is appropriate. It will allow us to further assess the prudential, competitive and innovation impact in due course.
- 3.34** We have also considered the feedback we received on the potential prudential impacts on sending PSPs that may result from a reduction in the maximum level of reimbursement (and consequently the contribution of the receiving PSP) in circumstances where consumers are more likely to seek the outstanding losses from the sending PSP only.
- 3.35** While our evidence suggests that the volume of claims over £85,000 will be low, we expect the change in threshold to impact the volume and complexity of cases the FOS anticipates receiving relative to £415,000. We have engaged closely with the FOS throughout the development of this policy and continue to do so. We will consider the volume of cases referred to the FOS, and its impact, as part of our evaluation of the policy, after it has been in place for 12 months.

Planned or completed consumer communications – what we heard

- 3.36** Twenty-two respondents shared the view that a change to the maximum level would result in some cost to PSPs, overall delivery risks, or that the requirements were not sufficiently clear. Those who shared the view that there would be cost implications varied in their view as to whether these costs would be minor or significant. Some expressed the view that the relatively late proposal and uncertainty over the maximum level could incur wider operational costs (e.g. amendments required to staff training materials) or costs as a result of changes to any communications plans until the consultation concluded.
- 3.37** One industry body set out that the change would result in significant costs for PSPs who have had to pause or pull planned or already underway communications activities. Another noted that these costs are in part driven by the late nature of the consultation and the proximity to the start date of the policy.
- 3.38** Some respondents to this question also explicitly sought regulatory forbearance on the consumer communications requirements in SD20 because of their concerns that it may be difficult for them to comply with this requirement, given the change to the maximum level of reimbursement ahead of the policy coming into effect on 7 October 2024.
- 3.39** Five respondents stated that the change would have very little or no impact on their consumer communications plans. For some of these respondents, this is because their communications are all digital and so there is very little impact arising from the proposal. For others, this was because they had not yet confirmed or commenced their campaigns or had built them in such a way as to manage the potential change.
- 3.40** Some respondents also shared the view that the timing and nature of the proposed change would likely cause confusion for consumers and that the PSR should take this impact into account when considering whether to change the maximum level of reimbursement.
- 3.41** 119 respondents did not answer this question.

Our view

- 3.42** We have considered the feedback received and acknowledge that some firms will already have incurred additional costs as a result of the timing of our consultation and the decision. However, we did not hear any feedback that the costs incurred or firms' ability to do what is needed to deliver effective reimbursement from the policy start date was not achievable.
- 3.43** We also acknowledge the feedback received from some consumer groups that a change to the maximum level of reimbursement may cause confusion for some consumers, including those who may already have received communications from their PSP about the incoming requirements. We will continue to work closely with all stakeholders to support delivery of effective communications and raise awareness of the requirements in the lead-up to 7 October 2024 and once the policy is in force.
- 3.44** We have listened to the feedback provided by some industry stakeholders expressing concerns about their ability to comply with the consumer communications requirements in SD20.⁴ We recognise that those PSPs wanted greater certainty about the maximum level of reimbursement before they communicate with their customers.
- 3.45** We will adopt a pragmatic and proportionate approach to directed PSPs' compliance with their obligations to notify customers of their rights under the reimbursement regulations and rules. We expect firms to take reasonable steps to become compliant as soon as practicable. What is reasonable and practicable will vary on a case-by-case basis. As with any potential non-compliance, we will consider a range of factors and circumstances when deciding on whether to intervene. However, it is important that consumers submitting a claim are given appropriate information and support through the process.

PSP incentives to put effective fraud prevention measures in place – what we heard

- 3.46** We received 39 responses to this question from consumers, consumer organisations, industry and industry bodies. Respondents expressed a broad range of views. Twenty of these respondents said that a change would likely have a negative impact on incentives or have unintended consequences. Some of the views we heard included:
- one industry body stated that some PSPs still have significant work to do to invest in systems and controls to prevent criminals from accessing their payments systems and that this investment should not be at the detriment of their customers
 - another industry respondent highlighted the important role of the wider ecosystem in delivering incentives
 - some industry respondents said that receiving firms may not be incentivised to identify and close mule accounts as a result of their potentially reduced liability if more claims against the sending PSP go to the FOS
 - one consumer body stated that we should not assume that a lower maximum level would mean that firms continue to make the same investment in fraud prevention

4 Namely paragraphs 5.1 and 5.3 of SD20.

- one consumer body stated that the proposed maximum threshold will dilute the incentive on PSPs to scrutinise higher-value payments (as the excess will dis-incentivise PSP scrutiny of lower-value payments) and will therefore mitigate against the PSR's policy purpose
- consumer respondents were generally of the view that a higher maximum level would better incentivise banks to put appropriate prevention measures in place and a lower level would reduce incentives
- an industry respondent highlighted their view that a higher maximum level is more likely to incentivise all PSPs to invest in fraud prevention, which is less costly in the long term and offers more straightforward and consistent protection for consumers
- eleven respondents felt that the change would have no impact on incentives, either because firms had already invested in fraud prevention in readiness for October, or because firms would not alter their investments on the basis of the small difference in the number of frauds covered
- eight respondents felt it would have a positive impact or provided a mixed response on the likely impacts. One industry body set out their view that industry already has a range of tools to combat fraud and that the PSR's incoming policy had incentivised industry to focus not only on the consumer side of the payment journey but also the inbound element. This respondent stated that this approach has helped firms to secure investment for fraud prevention.
- another industry respondent expressed the view that a change should not impact incentives because they are committed to preventing all types of fraud, highlighting the Consumer Duty which requires firms to protect consumers from foreseeable harm.

3.47 We also received feedback from a range of respondents that lowering the maximum level of reimbursement may distort incentives between the sending and receiving PSP, where the only recourse for the consumer is the FOS. Some respondents argued that incentives on the receiving firm to put effective fraud prevention measures in place are weakened if they expect their liabilities under the policy to be lower.

Our view

3.48 We continue to recognise the risks to PSPs of an uncapped liability, and the benefits of certainty from a known maximum level. This is aligned with other regimes which cap liability, such as the FSCS.

3.49 We acknowledge the concerns expressed by some respondents in respect of the potentially reduced incentives on receiving PSPs as a result of a lower maximum level of reimbursement. However, based on the information available we are content that the maximum level of £85,000 will continue to drive strong incentives and we have not seen or been provided with tangible evidence that leads us to a different conclusion. It will be important for us to continue to collect information about the reimbursement policy once it is live to support us to evaluate the overall effectiveness of the policy and to assess whether it is driving the right incentives, as we expect it to. Our evaluation planned for 12 months after the policy has been in place will support us to do this.

3.50 We were persuaded by those respondents who raised the point that many PSPs will already have invested in controls and that the incentives are unlikely to be materially different given the low number of cases above £85,000. We also consider that the wider

ecosystem has an important role to play. To curb the devastating impact of APP scams and make better inroads to prevent them happening in the first place, more action from a broader set of private sector industries could support the ecosystem response to tackle APP scams. In the 2023 Fraud Strategy, the PSR committed to gathering data from payment firms on the private sector firms that are most commonly reported as enabling contact between fraudsters and victims that later result in an APP scam payment. We have gathered data from the 14 largest banking groups in Great Britain and Northern Ireland for the 2023 calendar year. Over the coming months, we will engage with relevant stakeholders on publishing this data.

- 3.51** In respect of the feedback received about the potential impacts on incentives in respect of the FOS, our evidence suggests that the volume of claims over £85,000 will be low. We expect the change in the maximum level to impact the volume and complexity of cases the FOS receives relative to a maximum level of reimbursement of £415,000 per Faster Payments APP scam claim.
- 3.52** While awards will turn on the specifics of a consumer's complaint, it is theoretically possible for the FOS to make an award up to £85,000 against the sending PSP for any failure to reimburse under the Faster Payments APP scams reimbursement requirement and for FOS to make an award (up to the statutory limit of £430,000) for any unrecovered losses if it considers that the sending firm was at fault in some way when making the payments, meaning that it would be fair and reasonable for the sending firm to compensate the consumer for their unrecovered losses. FOS can also make an award against the receiving PSP (if it would be fair and reasonable), meaning consumers could in theory recover loss up to £945,000).
- 3.53** Currently most FOS awards are made against the sending PSP, because that is the consumer's PSP against whom they typically complain and seek an award. If that continues, the incentives on the receiving PSP to prevent high-value APP scams is weakened compared to having a maximum reimbursement level of £415,000. Although there is a lower likelihood of complaints being made to the receiving PSP and the FOS awarding against the receiving PSP, the potential for successful complaints against the receiving PSP still presents a level of prudential risk, particularly if it is not a loss they have provisioned for.
- 3.54** Following our consideration of all information available to us, including the consultation responses, it is our view that a maximum level of reimbursement of £85,000 per Faster Payments APP scam claim will continue to provide effective incentives for PSPs to reduce and prevent fraud. We recognise that there are a number of factors at play. For example, some PSPs already had higher incentives owing to voluntary schemes (such as if they were a signatory to the CRM Code); others had lower incentives until the APP scams policy was introduced.
- 3.55** We also consider there will have been benefits from the period in which PSPs were working towards implementation of a maximum level of £415,000 – we heard from one respondent that a change in the maximum level would not impact their approach to prevention. We consider that, taken in the round, the victims of higher-value scams are also likely to benefit from the changes in fraud prevention driven through by the incentives created by a lower level. This is because a firm is likely to be motivated to create consistent fraud mitigation measures across its organisation, and in part owing to the large-scale coverage which the £85,000 achieves.

Impact on consumers

What we heard

3.56 We received 100 responses from individual consumers, who unanimously opposed the consultation proposal and expressed the view that the maximum level should remain at £415,000. We received five responses from consumer organisations. These respondents expressed a range of views including on the potential impact of a lower maximum level on consumers, including vulnerable consumers. All of these respondents advocated for a maximum level of reimbursement of £415,000 per Faster Payments APP scam claim.

3.57 In addition, there were eight industry respondents who supported a higher maximum level. These respondents were concerned about the potential impacts of a maximum level of reimbursement of £85,000 on consumers, including the potential weakening of protections.

3.58 Some of the input we received included that:

- lowering the maximum level of reimbursement would reduce protections for consumers and the justification for this was not clear
- consumers who fall victim to investment scams are more likely not to be fully reimbursed as compared to other scam types. A few respondents highlighted the risk that a significant proportion of investment scams would exceed the maximum level, if set to £85,000
- as only a small number of claims is above £85,000, the risk of such claims should remain with the bank for reimbursement, rather than it being transferred to the consumer who is not likely able bear a potentially significant loss
- consumers are not equipped to identify fraud – particularly given the sophistication of scams – or the associated losses, whereas financial institutions are better equipped to absorb such losses
- a reduction in the maximum level has the potential to destroy the lives of those who fall victim to a scam over £85,000, even if the total number of victims that experience this level of loss is low relative to the total number of scams
- given there are so few cases above £85,000, the maximum level should remain at £415,000 – and it is appropriate that almost all victims be fully reimbursed under the higher maximum level
- as a result of the change, more consumers would need to go to the FOS to seek full reimbursement, creating additional stress and anxiety for those already in a difficult situation, with the impact even more acute for vulnerable consumers
- lowering the maximum level would result in a more complicated compensation environment, and not all consumers will be aware of their rights to make fault-based complaints about the sending and receiving PSPs' actions for any outstanding losses or have the capacity to do so given the challenging circumstances they may already be in
- some consumers set out their views that our considerations failed to take proper account of the impacts of a lower maximum level on victims, including a loss of consumer confidence and decreased trust in their bank. Some also felt that the PSR's cost-benefit analysis (CBA) failed to adequately account for the psychological impacts

on victims, and particularly the impacts on vulnerable consumers who may be more likely to fall victim to higher-value scams.

- 3.59** Fifty-nine of these responses were from consumers sharing their experience of falling victim to what appeared to be the same scam, and a number of other consumer respondents also highlighted their experiences of being an APP scam victim or seeing the impact of it.
- 3.60** We also received nine responses from consumer organisations, fraud advisers and academics who opposed the proposal and highlighted the impact of the change on consumers. Some said our assessment was incorrectly based on totality rather than victims and that despite data showing 411 high-value cases last year, for consumers who are victims in these scams, not being fully reimbursed would have a significant impact on them.
- 3.61** Consumer groups highlighted their concerns about the impacts of any appeal made by customers to the FOS. They stated that the additional impact of a consumer needing to seek an award from the FOS to recover money lost above the maximum level would mean customers would have to go through an additional process to seek reimbursement, adding a layer of complexity, stress and uncertainty to an already difficult situation.
- 3.62** Industry and PSPs who advocated for a lower maximum level felt that consumers would be incentivised to take due care and exercise appropriate caution if it was not certain that they would be fully reimbursed. A small number of respondents suggested that moral hazard would be an unintended consequence of a higher maximum level.
- 3.63** One respondent proposed aligning the maximum level to the value of the average APP scam loss to ensure appropriate coverage for victims matched the actual losses experienced. Four respondents suggested that it would be appropriate for the maximum level of reimbursement to be £30,000 to align with the limit under the Consumer Credit Act 1974, to provide consistent reimbursement outcomes for consumers. One of the respondents who advocated for this lower level expressed the view that for PSPs who work with vulnerable consumer groups and charities, the consumer standard of caution will rarely apply so even if they receive one or two claims at the revised level, this could result in their no longer being commercially viable, and result in services potentially no longer being available to them.

Our view

- 3.64** We acknowledge and have carefully considered the concerns about the potential impact on consumers as a result of a change to the maximum level of reimbursement. We are also clear about the significant financial and emotional harms to consumers impacted by APP scams. However, in our judgement, a reimbursement cap of £85,000 will still significantly improve consumer protection and outcomes. With 99.8% of APP scams by volume, and around 90% by value required to be reimbursed under the policy, this represents a significant degree of vital consumer protection, delivered as soon as possible, and will ensure that almost all victims of APP scams are reimbursed.
- 3.65** In making this decision, we were led by the most recent information available to us. This includes full consideration of the consultation responses received, as well as the latest data. In our 2023 consultation on the maximum level, we set out our estimate that cases that exceed £85,000 account for approximately 25% of APP scam loss by value and 0.3% by volume. Our pre-implementation review has given us more detailed and up-to-date data,

which showed that, based on 2023 data, cases that exceed £85,000 account for 19% of loss by value and 0.2% by volume. This data also allowed us to calculate that a maximum level of £85,000 would mean that 10% of fraud value lost would not be reimbursed under the policy (taking into account that cases above that value would have the first £85,000 reimbursed).

- 3.66** We have considered the feedback received on whether a lower maximum level would result in consumers taking more care or being more cautious than they might be if a higher level was in place. We consider that this feedback needs to be balanced against the feedback that we received from some consumers and consumer groups that many scams are sophisticated and complex, and it is not always possible for a consumer to tell that they are being scammed. We therefore consider that the impact on a maximum level of £415,000 on consumer caution as compared to the confirmed £85,000 per Faster Payments APP scam claim is likely to be limited.
- 3.67** We have also reviewed and considered the feedback on the consumer impact of taking cases to the FOS. In addition to the reimbursement requirement, the FOS can consider complaints made by consumers against its wider jurisdiction. This includes the Consumer Duty and/or an assessment of whether there was fault on the part of the sending or receiving PSP. We do agree with respondents that relying on the FOS's wider jurisdiction may result in a more complex compensation environment, as it requires the consumer knowing they have recourse to recover additional losses beyond the PSR's maximum level of reimbursement. The FOS sets out the process that consumers should follow on its website: [How to complain – Financial Ombudsman service \(financial-ombudsman.org.uk\)](https://www.financial-ombudsman.org.uk). It will be important that firms are clear with customers about their rights to take cases to the FOS. We will continue to engage with the FOS and industry, including to support consumer clarity, and we will keep this risk under review once the policy has gone live.
- 3.68** We consider that on balance and exercising our regulatory judgement, proceeding with a lower maximum level of reimbursement now will deliver significant consumer protections quickly while managing the potential prudential impact on PSPs.
- 3.69** We note also that the sending PSP may choose to voluntarily reimburse its customer any amount that falls outside the maximum level set by us, if it considers that is the best outcome for its customer in the circumstances.

Proposal: for the maximum level of reimbursement to automatically track any changes to the FSCS deposit limit

- 3.70** We proposed that the maximum level of reimbursement would automatically change to track any revisions to the FSCS limit. We also set out that the PSR would review the effectiveness and impact of the FSCS limit being the maximum level of reimbursement after the policy has been in place for 12 months, as part of the evaluation work that we have already committed to which will look at the policy as a whole package.

Feedback we received

- 3.71** Almost all respondents that expressed a view on this proposal did not support it. Only one respondent who supported our proposal to change the maximum level of reimbursement to £85,000 per Faster Payments APP scam claim also agreed that the maximum level should track the FSCS limit. This respondent supported the proposal on the basis that it would provide the same level of protection as bank deposits, create consistent outcomes for consumers, and was a number familiar to consumers.
- 3.72** The other respondents who provided a view on this issue, while divided in their views on what the maximum level of reimbursement should be, did not support the proposal for the maximum level to automatically track the FSCS limit. Some of the points raised by these respondents included that:
- the rationale for the proposal was not clear and may actually result in confusion for consumers – because the purpose of the PSR’s reimbursement policy, and the purpose of the FSCS deposit scheme are markedly different
 - any change to the maximum level should be based on considerations that are relevant to the APP scams reimbursement policy (including industry fraud data) and be subject to a consultation process
 - tracking to the FSCS limit would create uncertainty on whether and the basis by which the maximum level may change, ultimately resulting in additional costs for PSPs and potential confusion and uncertainty for consumers.

Our view

- 3.73** Following our consideration of the responses received, we agree that any changes to the maximum level of reimbursement should be based on a review of the impact and effectiveness of the policy, including industry fraud data and information. Therefore, as confirmed in our announcement of 25 September 2024, the maximum level of reimbursement will not automatically track changes to the FSCS deposit limit.
- 3.74** However, we do consider that there is a benefit in aligning to a figure which is familiar to consumers and one that is already associated with protection of their money, rather than setting the maximum level at a different figure which is of similar magnitude. We have previously supported the principle of alignment with an existing consumer protection – for example, alignment with the FOS award limit to support familiarity for consumers by using a number they have heard before and can recall.
- 3.75** We will keep this under review as we continue to gather and assess data and information on the impact of all elements of the policy after it begins to take effect. Following any change to the FSCS deposit limit, the PSR will review the maximum level within a reasonable period. The outcome of the planned review of the FSCS limit later this year will be taken into account as part of our review of the whole policy once it has been in place for 12 months.
- 3.76** There is a statutory requirement for the PRA to review the FSCS deposit limit before the end of 2025. This is well-aligned with our existing commitment to review the reimbursement policy (including the maximum level) after the policy has been in place for 12 months.

- 3.77** We consider it important that we exercise our discretion over the level of the maximum reimbursement level.
- 3.78** In developing the policy, we recognised the importance of predictability when considering potential changes, to support smooth implementation and avoid piecemeal changes. We have already committed to updating our legal instruments in April and October each year (as required and where practicable). Recognising the operational impacts of change on stakeholders, SD20 also commits us to giving at least 90 days' notice of any changes to the data that PSPs must collect. We appreciate that directly tracking the FSCS deposit limit may be challenging to operationalise in the context of these existing commitments.
- 3.79** We agree with respondents about the need to drive regulatory certainty and consider the costs and other operational impacts that frequent or unplanned changes may drive. We also consider it is important that future reviews of the maximum level, and in particular our review planned for after the policy has been in place for 12 months, are undertaken as part of a review of the policy as whole, which is intended to operate as an overall package of individual measures.

The consultation process and policy start date

Feedback received

- 3.80** Of the total number of 147 responses received within the deadline, 16 raised concerns about the fairness of the consultation process. These respondents raised various issues, including whether the two-week consultation period was sufficient time for respondents to provide fully considered views, and in turn whether the PSR has sufficient time to properly review and consider the responses in making a final decision.
- 3.81** Some stakeholders stated that a late consultation, regardless of the outcome, results in an increased cost and operational burden. Examples cited include some PSPs pausing their consumer communications campaigns or being unable to finalise staff training and policies.

Our view

- 3.82** The PSR consulted on changing the maximum level of reimbursement from 4 to 18 September 2024. That consultation document acknowledged the relatively tight timeframe to submit responses. Accordingly, it stated that the PSR would consider requests to facilitate the consultation process, for example receive views orally via meetings as well as in writing. One respondent sought an extension to the deadline and requested to give their feedback orally, which was granted. Their views have been taken into account.
- 3.83** We have had regard to the Cabinet Office code of practice requirement that shorter timescales may be appropriate in limited circumstances – for example where a full consultation process has already taken place and the public body wishes to seek additional comment on amended proposals. This is also reflected in the PSR's published Powers and Procedures Guidance, which states that we will consider any meaningful engagement we have already had with stakeholders on the particular issues, and makes clear that when we need to act quickly, we may allow for a shorter period of consultation than the suggested three weeks. We considered that the current circumstances satisfy these criteria.

3.84 We have carefully considered the feedback received on the fairness and increased cost to some stakeholders of a consultation so close to the policy start date. Having weighed all the relevant factors (listed below), we consider it is fair for the purposes of reaching a decision in the particular circumstances and that the start date is reasonable in itself.

3.85 In reaching this view, we have had regard to the following factors:

- a longer consultation period would have resulted in either delaying the 7 October 2024 policy start date or going live on that date with the higher maximum level
- delaying the start date of 7 October would lead to a poorer outcome for consumers (i.e., there would be no mandatory protection in place), and delay to meeting Parliament's requirement of the PSR, reflecting a strong policy directive that time is of the essence
- we incorporated the representations on costs into the CBA
- delay would also have resulted in additional costs being incurred by industry to alter their delivery plans and would also potentially confuse consumers and cause uncertainty
- the PSR has identified a risk of potential harm arising from a cap at £415,000 per Faster Payments APP scam claim, so that it would not be appropriate to commence the policy at that high level without first undertaking further review
- the proposed maximum level of £85,000 (and the rationale for it) had already been extensively referenced in previous consultations as the policy was developed. Consequently, this was not new or unfamiliar to key stakeholders and the latest consultation is particularly narrow in scope, centring on one specific element of the policy
- we have put in place measures to help stakeholders respond by offering different ways to provide feedback, i.e. orally and well as in writing
- respondents were able to request an extension and indeed one respondent did so and provided their comments via a meeting, and these have been taken into account
- to ensure that we properly considered all responses received, we planned for and put in place measures to handle the volume of responses and consider them carefully
- by committing to a review, we give ourselves the right opportunity to test the operation of the policy in slower time, and strike the appropriate balance between (i) timely implementation of Parliament's policy of protecting consumers and (ii) not causing unintended harm to PSPs or consumers while further investigations into risk are carried out.

Conclusion

3.86 Having considered all the evidence, we have decided to set the maximum level at £85,000 per Faster Payments APP scam claim – the current FSCS limit. This ensures that almost all APP scam victims are reimbursed at the earliest possible opportunity, while continuing to incentivise all PSPs to continue to improve their fraud controls. It also seeks to mitigate the potential prudential risks to PSPs associated with a higher maximum level, which could directly or indirectly impact on investment and therefore innovation and competition.

- 3.87** This decision required us to balance a range of considerations to achieve our policy objectives within the framework of our statutory duties and objectives, and our regulatory principles. This was a carefully balanced decision, which has involved the exercise of our regulatory judgement. We have had regard to timing considerations, the level of the maximum level itself, and the evolution of that level.
- 3.88** The maximum level will not automatically track changes to the FSCS limit. We consider it important that any change to the maximum level be at the PSR's discretion, based on up-to-date fraud information and data, and subject to consultation, before any future changes come into effect. Equally, we continue to recognise the merits of the maximum level being a figure that consumers are familiar with. Therefore, should the FSCS limit change, the PSR will review the maximum level within a reasonable period of time.
- 3.89** As previously signalled, we will review the maximum level when we review the whole policy package, once it has been in place for 12 months.

CHAPS alignment

- 3.90** The Bank is responsible for setting the maximum level of reimbursement for APP scams that occur over CHAPS but has previously put weight on the benefits of consistency with the PSR's decisions for Faster Payments. Previous feedback on setting levels suggested that there were notable operational and messaging benefits for industry and consumers of aligning the CHAPS maximum level with that for Faster Payments. The September 2024 consultation therefore included a question seeking views on the Bank's proposal to change the maximum level of reimbursement for CHAPS, to set it to the FSCS limit (currently £85,000) to align with the proposal for Faster Payments.
- 3.91** Thirty-two respondents answered this question. Some focused their response on alignment; some focused their response on the maximum level and/or other aspects, and some covered alignment as well as views on the maximum level.
- the majority (20) supported alignment (whether this was alignment at £415,000 per claim or the FSCS limit of £85,000 per claim). This view was strongly expressed by PSPs, and organisations representing them. As we said above, industry remains divided in its views on the appropriate maximum level for Faster Payments (and often by extension CHAPS)
 - three consumer organisations did not support a reduction to £85,000 for CHAPS, with the rationale centred on the use of CHAPS for high-value payments. Those that commented on alignment suggested that even if the Faster Payments level was reduced, the CHAPS level could remain at £415,000 (or that no maximum level should apply)
 - a small number of respondents disagreed with an £85,000 maximum level for CHAPS, but did not provide a view on alignment
 - one respondent highlighted that as they did not support the proposal to change the maximum level for Faster Payments, they did not support the change for CHAPS. One respondent felt that the Bank should carry out its own independent consultation process. It is important to note that the CHAPS question was included at the request of the Bank, who then analysed the responses to that question before making a decision. One respondent noted they did not operate in CHAPS.

- 3.92** As set out in our 25 September announcement, the Bank, as the operator of CHAPS, has carefully considered the feedback received in relation to CHAPS that was included as part of the PSR's September 2024 consultation. The Bank has also spoken to a number of large banks and the FOS to understand how claims over the maximum level of reimbursement would be handled.
- 3.93** The Bank has decided that the maximum reimbursement for CHAPS will be £85,000 per claim. As with Faster Payments, the maximum level of reimbursement for CHAPS will not automatically track changes to the FSCS deposit limit. In making this carefully balanced decision, the Bank has given weight to the benefits to industry and consumers of having consistency of levels across the two payment systems. The Bank also took account of the impact on consumers. The Bank is committed to reviewing this level next year, drawing on feedback, experience and a greater level of data which will become available.

4 Proportionality, cost benefit analysis and equality impact assessment

We published a draft cost benefit analysis (CBA) alongside our September 2024 consultation. This CBA considered the costs, impacts and benefits of our proposal to implement the Faster Payments APP scams reimbursement requirement with an initial maximum level of reimbursement set to the FSCS limit, currently £85,000.

This chapter sets out our proportionality assessment following our consideration of the responses received and the most recent available evidence. We have published our final CBA alongside this policy statement.

Proposal

- 4.1** Our Faster Payments reimbursement policy is a major protection for consumers against APP scams. It will also incentivise in-scope PSPs to put effective measures in place to prevent APP scams happening in the first place.
- 4.2** In the September 2024 consultation we stated that in our view the proposed maximum level of £85,000 would deliver robust consumer protections while enabling all PSPs to effectively manage prudential risks.
- 4.3** We used both quantitative and qualitative factors in assessing the impacts of the proposal to change the maximum level of reimbursement. Our assessment is set out more fully in our CBA. It was our view that, taken in the round, the overall benefit of the proposed change is warranted, notwithstanding the associated costs, to ensure that these significant consumer protections are in place for 7 October 2024.

Feedback we received on our proportionality assessment

- 4.4** We received 31 responses on our proportionality assessment and CBA. 113 respondents did not provide specific feedback on these.
- 4.5** The respondents who did provide input on our proportionality assessment were divided in their views:
 - one industry body stated that some of its members were of the view that £85,000 per claim is not proportionate, given that it is still a multiple of an average APP claim and that the statistically low volume of claims above this level will not create a fair balance of risk between firms and consumers, nor provide enough incentive for consumers to exercise caution

- one industry respondent did not agree that the proposals are proportionate as in their view they do not go far enough to reduce the impact on PSPs
- one organisation recommended that we needed to do further work to understand additional details about the types of consumers who would likely be impacted by a reduced maximum level of reimbursement
- other industry respondents agreed that the assessment was reasonable, but did not provide further comment or rationale for their views.

4.6 Respondents provided input in various factors in relation to the CBA. These are set out more fully in the CBA and included views on:

- Administrative costs:
- Psychological costs to consumers
- Prudential risk and reduction in competition and innovation
- Distributional impacts

4.7 We have provided a summary of the feedback provided by stakeholders and discussed the key points raised in the [Cost Benefit Analysis](#) published alongside this policy statement.

Equality Impact Assessment

4.8 In line with our Public Sector Equality Duty (PSED) we completed an equality impact assessment (EIA) as part of the Faster Payments APP scams policy proposals previously consulted upon. This is to assess the likely equality impacts of the new reimbursement requirement on the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marital status. We considered the potential of specific groups with protected characteristics being disproportionately impacted by the change to the maximum level of reimbursement from £415,000 per Faster Payments APP scam claim, to £85,000 per Faster Payments APP scam claim.

4.9 Now that we have confirmed the change to the maximum level of reimbursement, it remains our view that overall, all customers will be better off under our policy as we expect PSPs to prevent more APP scams from happening in the first place, with consumers reimbursed up to £85,000 per claim where they do fall victim to an APP scam.

4.10 We set out that from our available data we know that the likely total number of customers affected by the maximum level of reimbursement will be extremely low. This remains our position, as evidenced by the most recent data available to us, from our pre-implementation review.

4.11 As we have set out, a maximum level of £85,000 will mean that 90% of Faster Payments APP scam claims are fully reimbursed under our policy. Sending PSPs may also choose to voluntarily reimburse their customers over and above the maximum level, should they wish to do so.

- 4.12** In light of the consultation responses received, we have considered whether there are any changes to our previous EIA that we need to consider. We heard through the consultation the views of some respondents that vulnerable consumers may be more likely to fall victim to a higher-value scam that may not be fully covered by our policy, and that in particular older consumers may be negatively impacted by the change to the maximum level of reimbursement. We considered this impact on our previous EIA and noted that evidence shows that older people are indeed more likely to fall victim to an APP scam.
- 4.13** We have considered the feedback received and we remain content that the change to the maximum level of reimbursement is appropriate and that the change to this one aspect of the policy does not materially impact our previous assessment, which can be reviewed [here](#).
- 4.14** With a maximum level of £85,000, the majority of consumers who fall victim to an APP scam will be reimbursed under the policy, with an estimated 411 cases per year with a value of over £85,000. Our policy will reimburse all claims in scope, up to a level of £85,000 and consumers retain their existing rights to seek an award from the FOS should they wish. We do not currently have any empirical evidence which indicates that specific groups with protected characteristics would be disproportionately impacted.
- 4.15** We intend to review the maximum level as part of our evaluation work planned for after the policy has been in place for 12 months.

5 Next steps

- 5.1** The new APP scams reimbursement requirements will be effective from Monday 7 October 2024.
- 5.2** We are continuing our close engagement with Pay.UK and the industry to ensure all that is necessary for effective delivery of the policy is ready for the policy start date. We will also continue to work with stakeholders after the policy has gone live to support ongoing effective consumer reimbursement in line with the policy.
- 5.3** We will be closely monitoring the impacts of the new requirements once they go live. We will undertake an evaluation of their effectiveness after 12 months of operation.

PUB REF: PS24/7

© The Payment Systems Regulator Limited 2024

12 Endeavour Square

London E20 1JN

Telephone: 0300 456 3677

Website: www.psr.org.uk

All rights reserved