

Fighting APP Fraud

A new reimbursement requirement

Policy overview

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June 2023

Overview of key policies

- ① **Reimbursement requirement:** Sending PSP to reimburse victims of APP fraud

- ② **Sharing the cost of reimbursement:** 50:50 sending/receiving PSP

- ③ **Exceptions:** Gross negligence, First party fraud

- ④ **Time limit to reimburse:** Five business days, with stop the clock provision

- ⑤ **Claim excess:** Value to be consulted on

- ⑥ **Maximum level of reimbursement:** Value to be consulted on

- ⑦ **Time limit to claim:** 13 months from last payment

- ⑧ **Treatment of vulnerable customers:** Gross negligence and excess won't apply to them, and we will consult on whether the max cap does

- ⑨ **Payment Initiation Service Providers:** All PSPs that handle funds in scope

- ⑩ **Approach to 'Multi-generational' fraud cases:** 'Last payment' is in scope

We recognise that cultural change will not happen overnight

- Fraud is complex and continuously evolving, this policy will **incentivise a series of critical changes across the payment industry** to improve fraud prevention.



Where are we now across the payment sector

- ▶ Limited cross-payment sector data sharing on APP fraud
- ▶ Rolling out of Confirmation of Payee

- **Positive change is already underway**, we expect these efforts to accelerate and deepen across the sector and to continue to refine over time.



- ▶ Limited use of 'good' friction with generic and/or ineffective warnings
- ▶ Limited use of risk-based approaches to hold and/or stop payments

- We remain **committed to playing our role in supporting Pay.UK and industry through timely and effective implementation**



- ▶ No financial incentives on receiving PSPs to strengthen controls on accounts to prevent APP fraud
- ▶ Fragmented customer aftercare to reduce repeat victimisation

Where we aim to be in future across the payment sector

Unlocking greater data sharing across the payment sector including **enhanced sharing of risk indicators**

Better data supports

Effective, data-driven interventions to change customer behaviour when a payment is identified as fraudulent

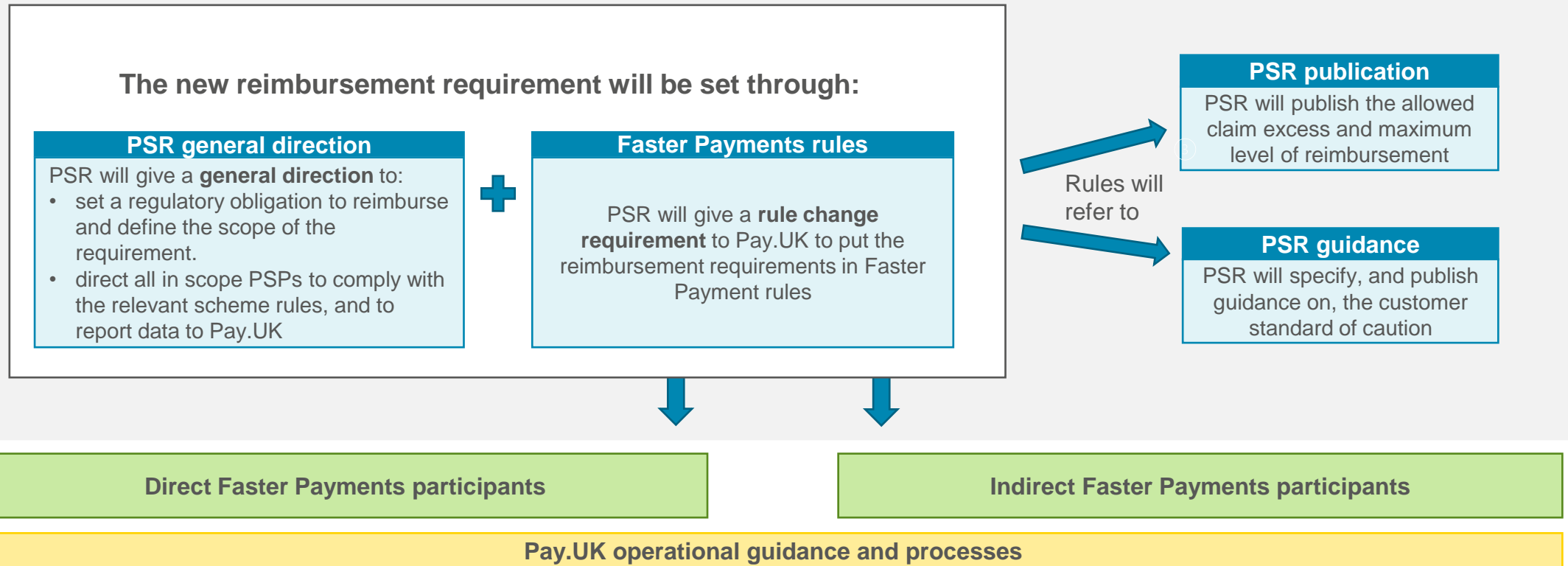
Risk-based approach with PSPs empowered to hold and/or stop payments

Gathering further data from interventions

Tighter controls on accounts to prevent fraudsters access to banking services

Improved victim aftercare and customer education to reduce repeat victimisation

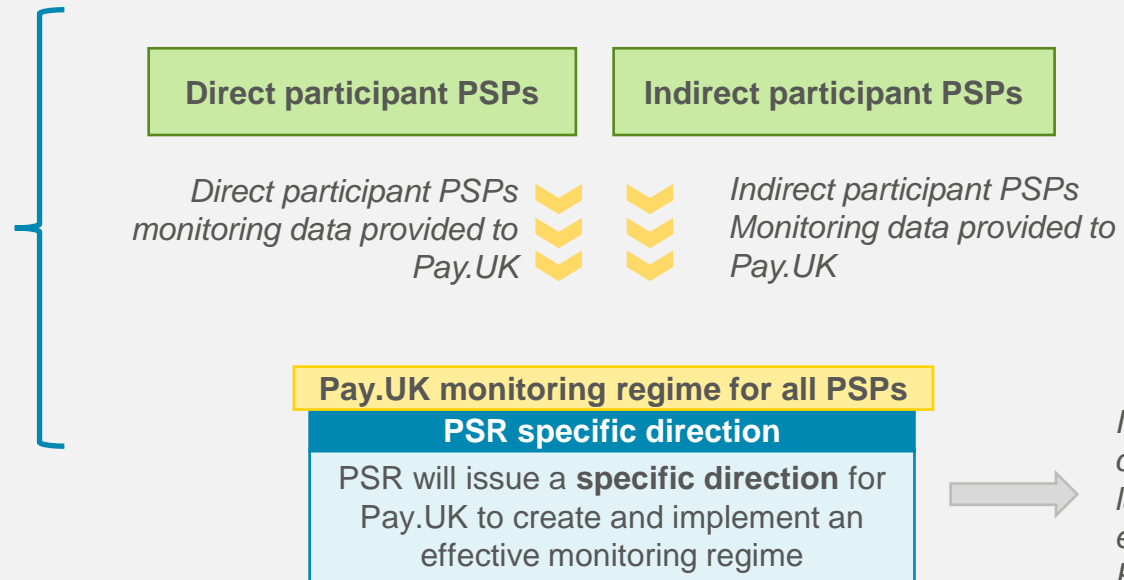
Putting in place the new reimbursement requirement.



Monitoring and enforcing the new reimbursement requirement

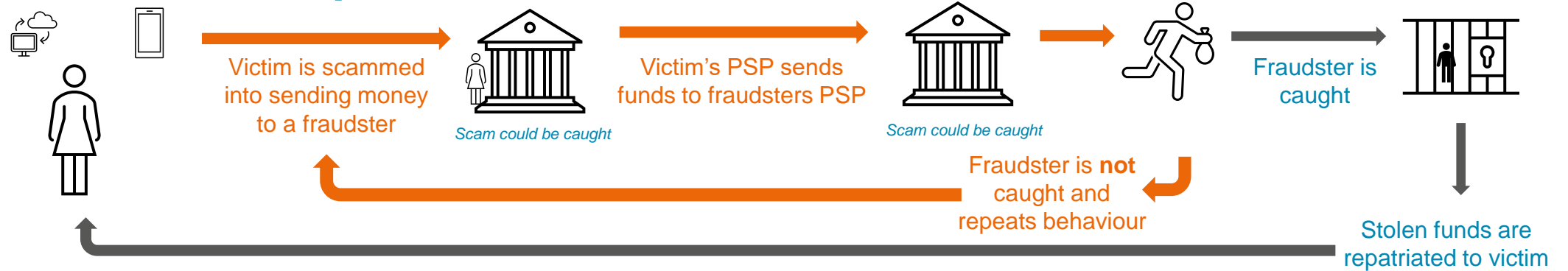
Setting up effective monitoring and enforcement of the new reimbursement requirement

PSR will monitor Specific Directions and S55 Requirement placed on Pay.UK



If breaches in compliance, this will launch the appropriate enforcement process. PSR is responsible for enforcing the issued directions.

Role of the wider ecosystem



- We have identified the key actions from the Home Office Fraud Strategy which we believe will have the most impact in tackling APP scams. We have grouped these into five themes which apply across an APP scam lifecycle from upstream actions through to repatriating funds. We continue to work with Government to **drive wider actions across the fraud ecosystem**.
 1. **Legislation:** Creating a statutory framework to support the reimbursement proposals from tackling online advertising to allowing a risk-based approach to payments and unlocking legislative barriers to data sharing.
 2. **Data sharing:** Increasing the flow of information across the payment sector and wider ecosystem to stop potential fraud before it happens and identify where further action is required.
 3. **Consumer education & victim support:** Raising awareness to help prevent consumers become victims and providing appropriate support and education when the worst happens.
 4. **Law enforcement:** Disrupting and prosecuting fraudsters to crack down on APP scams.
 5. **Longer term actions:** Pursuing more ambitious changes to the incentives which underpin the ecosystem.

Next steps

Q2 23	June 2023	▶ Publication of final policy statement
Q3 23	Early Q3	▶ Publication of consultation on draft legal instruments
	Q3 2023	▶ <i>FSMB achieves Royal Assent</i>
	Late Q3	▶ <ul style="list-style-type: none">• Publication of consultation on claim excess and maximum level of reimbursement• Industry consultation on customer standard of caution (gross negligence) guidance
	Q3 2023	▶ <i>FSMB becomes law</i>
Q4 23	Early Q4	▶ <ul style="list-style-type: none">• Publication of final legal instruments given to Pay.UK (section 55 and section 54)• Further consultation on section 54 to be given to all in-scope PSPs (after draft rules published)
	By end-Q4	▶ <ul style="list-style-type: none">• Publication of the claim excess and maximum level of reimbursement• Publication on customer standard of caution (gross negligence) guidance• Publication of final section 54 to be given to all in-scope PSPs
Q1 24	Q1 2024	▶ <i>Deadline to issue legal instruments</i>
	2024	▶ New reimbursement requirement comes into force, a 'day 1' date will be published with the final legal instruments
2026		▶ Publication of our post implementation review within two years

Assumed dates