

Specific direction for the implementation of Confirmation of Payee

Responses to consultation

August 2019

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Names of individuals and information that may indirectly identify individuals have been redacted.

Association of British Credit Unions Limited (ABCUL)

Confirmation of Payee Consultation
Payment Systems Regulator
12 Endeavour Square
London
E20 1JN

5 June 2019

Dear sirs

CP 19/4 – Confirmation of Payee

We welcome the opportunity to respond to this consultation. ABCUL is the primary trade association representing credit unions in England, Scotland and Wales with around two thirds of credit unions in mainland Great Britain affiliated to the Association.

Credit unions in the UK – aside from several key exceptions – operate on an indirect non-agency PSP basis operating through a HOCA to make payments on their members' behalf and accept inward payments for the same. It should be noted that their primary business is in the provision of savings and loans services and not the provision of payments but nevertheless to a lesser or greater extent all credit unions do facilitate payment services for their members.

Our members are generally smaller institutions with limited third party transaction traffic and constrained resource capabilities to deliver systems upgrades as would be required under Confirmation of Payee to the originally envisaged timescales. It would also be of limited wider benefit to the payments system in general given our limited footprint to do so.

For these reasons we would like to express our strong support and that of our members for the proposal to limit the direction on Confirmation of Payees to phase one introducers of the system in the largest banking groups. To require CoP capability of credit unions would imply significant investment and expense for limited benefit. It also relies on Open Banking developments which are yet to take shape.

On the other hand, we are also concerned at the assumptions that might be made in relation to the operational practices and protocols around indirect non-agency PSPs. While credit unions do operate on the basis of a HOCA, it is not always the case, for example, that they would have such an account simply for the collection of inbound payments – other own-account payments traffic for e.g. staff wages and other operating expenses, may go through these accounts also.

In addition, we are keen to understand better how the Open Banking Directory is likely to be used in relation to phase two roll out as is alluded to in the consultation. We are keen for credit unions to benefit from accessibility via the Directory but want to understand how this is best achieved and what expectations and requirements might be placed upon our members in order to comply.

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In general, our concern is to ensure that credit unions are not left behind in the process of development and system evolution which is being driven forward by initiatives such as CoP and their reliance upon Open Banking which credit unions today do not typically participate in. It is important for the integrity and coherence of the payments system as a whole that providers of services in some niche markets, like credit unions, are brought along on the journey so that all participants have fair and reasonable access to systems which are being developed for the benefit of all.

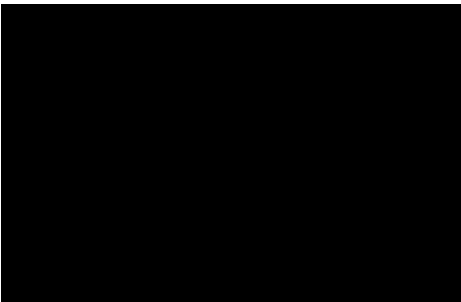
The risk, if adequate provision is not made to accommodate smaller PSPs, is that a space is created in which fraud and other malfeasance can preponderate – undermining the purpose of CoP, for example – and where exclusion and vulnerability are compounded as those providers supporting the excluded are themselves excluded from systems which are built with only the mainstream consumer in mind.

The key considerations for providing adequately for credit unions and other small PSPs to participate will be: flexibility of timescales, engagement and openness around standard-setting and recognition of limited capacity to invest and upgrade on the part of small PSPs.

We would welcome a dialogue with the Payment Systems Regulator around the particular challenges faced by our members and we are pursuing the same with Pay.UK.

I would be very happy to discuss this feedback further, should you wish.

Yours sincerely,



Association of Independent Risk & Fraud Advisors (AIRFA)

This response is presented to the PSR from the members of AIRFA: the Association of Independent Risk and Fraud Advisors.

For any questions please respond to Consultations@AIRFA.net

General Comments

We make the following general comments, with specific comments being attached to the questions (where warranted in the table below:

1. Our responses to the November 2018 consultation still apply, many of which may not have been included and many of which may have not been fully considered. If you require further explanation of assistance in any of the areas discussed, please do advise us accordingly.
2. The biggest challenge as an industry is for us to PREVENT or STOP these frauds from occurring. Accordingly, we need to follow the money, find who is at fault and recover the money: which is a primary way to control, reduce and/or stop frauds (and any risks).
3. Whilst 'target hardening' is a valid method for helping with and problems such as this, it is important to recognise that this as a tactic (and is always the case with such initiatives), will:
 - a. Add costs to the processes (ultimately becoming a cost to the consumer whether directly or indirectly)
 - b. Inconvenience the genuine customer
 - c. Have no impact upon several types of frauds e.g. where fake accounts are set up to 'match names', where there are multiple variations in names used, where there are collection accounts etc., where there are car payments, and/or alternative payments tools that use collection-accounts; or where fraudsters have used social-engineering to make a first (usually lower in value) payment before making a higher value 'big hit' payment.
 - d. Drive the fraudsters to the develop their frauds to fill any of the many gaps that this initiative leaves unfilled.
4. The biggest challenge in this project is now the selection of only a sub-set of banks to take part. A fundamental principle of any fraud solution that polarises success/failure in any initiative, is, and has always been: that any fraud solution needs 'ALL doors to be closed' rather than some doors. The presence of a 'list of banks' that complies, will advertise to the fraudsters the banks that do not have the solution, and escalated their attempts but towards the non-complying banks (fraud attempts always escalate exponentially once 'word get around' and weaknesses are identified).
5. The new frictions involved will frustrate victims (when their stupidity is amplified, and through the absence of a real solution that actually works) and genuine customers alike.
6. Adjusting the APP scam liability, will sheath the problem a little and give an illusion to some degree that this COP initiative has worked, when it will not do so.

7. It does not address the fraud with an infrastructure change. it just potentially, maybe, perhaps hardens the target a little.
8. The business case takes no account of migration and makes unwarranted assumptions
9. Putting the costs into the BIG BANKS alone makes odd-sense. It would have been of great value to identify how much of the fraud was placed and occurs at the BIG SIX banks both as ‘converting banks’ and as ‘paying banks’.
10. It must be noted that there are assumptions that rules will be observed and behaviours will change. Fraudsters unfortunately do not follow rules, they find and exploit gaps and weaknesses and ‘do not play by the rules’.
11. We must start to develop a project to ‘follow the money’, and to report upon the offending RECEIVING banks. This will allow us to then ‘punish’ those banks that fail in this process by passing on the liability/losses for the frauds – i.e. in the cases where the payment receiving banks or companies allow funds to be paid-away to these fraudsters. In most of these cases these fraudsters will have ‘cheated’ their KYC / customer identification processes, and thereby being the parties where the liability for the losses best sits, and can be best controlled from/within.

	Annex 1		
	Draft specific direction [x]: Confirmation of Payee		
1	Recitals		
	Whereas:		
1.1	Confirmation of Payee is a process that aims to reduce fraud and misdirected payments in electronic bank transfers. It checks the name of the payee against the details given by the payer.		
1.2	The Payment Systems Regulator (PSR) expects that introducing Confirmation of Payee for transactions made between accounts held in the United Kingdom will significantly reduce the number of authorised push payment scams. In these scams, a fraudster tricks		

	someone into sending money to an account that the payer believes is legitimate, but is in fact under the control of the fraudster.	
1.3	Without Confirmation of Payee, banks use unique identifiers (usually sort code and account number) entered by the payer to identify the receiving account – but these do not include the payee’s name. This means there is no way to check that the other identifiers are associated with an account matching that name. Confirmation of Payee checks should significantly lower the risk of payments being misdirected by accident or because of fraud.	<p>One of the ways that criminals will circumvent CoP will be to use beneficiary accounts that are under their control and where at least the surname matches. Either one they have opened for this purpose, a mule account or an account subject to account takeover.</p> <p>CoP will not completely eliminate these risks.</p> <p>It is sad / bad that we should base a £multi-million cost initiative upon unsubstantiated guesswork. i.e. in:</p> <p>“Confirmation of Payee checks <u>should</u> significantly lower the risk of payments being misdirected by accident or because of fraud.”</p>
1.4	Therefore, introducing Confirmation of Payee for the Faster Payments Scheme (FPS) and CHAPS will be a valuable tool in preventing fraudulent or accidental misdirection. These are the biggest volume push payment systems in the United Kingdom used for sending money between different payment service providers (PSPs). PSPs may still decline to process transactions for commercial reasons, or if they: <ul style="list-style-type: none"> • suspect fraud or the likelihood of accidental misdirection • are otherwise prevented by law from processing a payment 	
1.5	Although a range of PSPs have indicated that they will introduce a Confirmation of Payee process for	Agree – on the need for “widespread introduction”. But given this is a valid assumption and well-proven to be correct in other initiatives; it is most odd / and almost

	<p>payments involving accounts at different PSPs held in the United Kingdom, progress on implementing Confirmation of Payee has been slow. The benefits associated with Confirmation of Payee depend, to a significant degree, on its widespread introduction. This is because transactions that use FPS and CHAPS take place between accounts held at different PSPs, and Confirmation of Payee will only work if both PSPs involved in a transaction offer the service</p>	<p>unbelievable that this should be limited in its introduction by a NAMED (and publicly available to the fraudsters) six banks.</p> <p>Criminals will quickly exploit the non-participation in CoP of smaller, non-Directed PSPs, by-passing the CoP controls deployed by larger, Directed PSPs. These migrations in the changes to the attention/focus of fraudsters do and have proven to take place with many fraud-types in our experiences; in a matter of days or hours (sometimes minutes) in the case of many anti-fraud initiatives.</p> <p>Assuming that this initiative will have an impact on fraud at all, then we must also make the assumption that fraud will migrate. Accordingly, we strongly recommend that timescales for adoption of CoP by all remaining PSPs by 31 December 2020 (or earlier) be introduced, for the protection of victims and all PSPs.</p>
1.6	<p>FPS and CHAPS are designated by HM Treasury under section 43 of the Financial Services (Banking Reform) Act 2013 ('the Act') for the purposes of Part 5 of the Act. This means we may give a direction in relation to them under section 54 of the Act.</p>	
1.7	<p>The PSR has decided to require certain PSPs to introduce processes for sending and responding to Confirmation of Payee requests. They must introduce the processes to specific deadlines. Giving this direction will ensure that Confirmation of Payee is introduced in a way that is highly likely to achieve our objective – significant reduction in losses due to APP scams and accidentally misdirected payments.</p>	<p>What is the definition of “significant reduction in losses”?</p> <p>Can you please name the committee, the people and/or bodies that are making these rather interesting assumptions and/or predictions. We need to learn from these matters in future and where possible hold such parties responsible for the decisions / predictions etc.</p> <p>Fraud will migrate to non-Directed PSPs & we strongly recommend that timescales for adoption of CoP by all remaining PSPs by 31 December 2020 (or earlier) be introduced, for the protection of victims and all PSPs.</p>

1.8	In deciding whether to give the direction, who to direct, the deadlines to be imposed and what the Confirmation of Payee process should be, the PSR has taken the following into account:		
1.8.a	The PSPs that we give this direction to were either the sending or receiving PSPs, or both, for approximately 90% of the total volume of transactions over FPS and CHAPS in 2018 (and that it is appropriate, where participants in FPS and/or CHAPS are members of the same banking group, to aggregate the volume of transactions by those PSPs when considering which PSPs should be directed).		
1.8.b	Therefore, directing those PSPs to introduce the Confirmation of Payee process as required by this direction will result in its widespread use for transactions over FPS and CHAPS.		
1.8.c	This will make it highly likely that the PSR's objective will be achieved.		What is the specific objective? What does "highly likely" mean here?
1.8.d	Based on information provided, the PSR considers that: <ul style="list-style-type: none"> the directed PSPs will be able to comply with the deadlines in the direction for responding to, and sending, Confirmation of Payee requests those deadlines are the earliest dates that we can require Confirmation of Payee to be introduced 		
1.8.e	Pay.UK has developed rules and standards for Confirmation of Payee. PSPs, in particular those that		Have we seen Pay.UK rules and standards? Not available on their public website or as part of this consultation.

	we give this direction to, are aware of these rules and standards.		<p><i>The Confirmation of Payee rules and standards are now available and participant enrolment is open. To be eligible to enrol at this time, the following must be true:</i></p> <ul style="list-style-type: none"> ● <i>You are an Account Servicing Payment Service Provider (ASPSP)</i> ● <i>You have a sort code allocated to you with your own bank code in the EISCD</i> ● <i>You are an FCA registered entity</i> ● <i>You are registered with Open Banking*</i>
1.8.f	Those rules and standards, if implemented, would provide an appropriate Confirmation of Payee process.		
1.8.g	Those rules and standards currently only relate to transactions between accounts identified by sort code and account number.		
1.8.h	Those rules and standards do not currently provide for a Confirmation of Payee process where a PSP uses an account receiving the money to aggregate sums of money before sending them to the relevant accounts of individuals (these are often known as Head Office Collection Accounts).		<p>Criminals are increasingly perpetrating Account Takeover Fraud against Credit Cards, which are then funded by FPS to the PSP collection account. Collection accounts should therefore be included in the Direction. Payers should be required to confirm that the Beneficiary Reference, typically a credit card number, is the one to which they wish to make a payment.</p> <p>If this is not done a major 'gap' is left open and this gap is where fraudsters will direct their efforts.</p> <p>A number of new entrants, payment institutions operate in this way too; and will tend to have weaker processes that will be exploited by the fraudsters.</p>
1.8.i	Those rules and standards do not currently provide for a Confirmation of Payee process where the sending or receiving account (or both) for a transaction is held abroad. Only that part of an international payment		

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	journey that takes place within the United Kingdom will be done over FPS or CHAPS as they are UK payment systems		
1.8.j	Those rules and standards do not currently provide for a Confirmation of Payee process where the transaction being made is a bulk payment.		This exception will leave companies that submit bulk BACS files etc. vulnerable to variations on the current CEO/Invoice type frauds. Consideration should be given to introducing additional controls in this space.
1.8.k	The direction should only cover transactions involving accounts that the Pay.UK rules and standards currently relate to.		
1.8.l	With the introduction of Confirmation of Payee, a payer will face an additional process, and therefore friction in carrying out the transaction – particularly if the response to the Confirmation of Payee request is that there is no match, or a close match that requires further consideration.		PSR should undertake positive media briefings in this space, positioning this additional friction as a real benefit and protection for payers, particularly when initiating high value payments.
1.8.m	Therefore, the direction should only require a Confirmation of Payee check to be carried out: <ul style="list-style-type: none"> • the first time the payer initiates a payment to a new account, or • the payer has previously initiated a payment to an account but the payment was not made 		Amend second bullet to read: <ul style="list-style-type: none"> • the payer has previously initiated a payment to an account but the payment was not made or was for low value
1.8.n	It is appropriate to require directed PSPs to report on their progress in meeting the requirements of this direction, so that the PSR can ensure they have the necessary processes in place.		<i>See Section 4 - Monitoring</i>
2	Power exercised and purpose		

2.1	The PSR makes this direction in accordance with section 54 (Regulatory and competition functions – directions) of the Act. In accordance with section 54(3)(c), this direction applies to persons of a specified description.		
2.2	The purpose of this direction is to ensure that the benefits of the Confirmation of Payee process, in particular the reduction in misdirected payments (both as a consequence of fraud and error), are widely available for transactions over FPS and CHAPS.		
	Direction		
	NOW the Payment Systems Regulator gives the following specific direction to: Bank of Scotland plc, Barclays Bank UK plc, Barclays Bank plc, Cater Allen Limited, Coutts and Company, HSBC Bank plc, HSBC UK Bank plc, Lloyds Bank plc, Nationwide Building Society, National Westminster Bank plc, Royal Bank of Scotland plc, Santander UK plc and Ulster Bank Limited		
3	Requirement to introduce a Confirmation of Payee process		
3.1	After 31 December 2019, a directed PSP must respond to every Confirmation of Payee request made to it that: <ul style="list-style-type: none"> • complies with the CoP rules and standards, and • is made in connection with an applicable transaction. 		
3.2	The response must comply with the CoP rules and standards.		

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3.3	After 31 March 2020, a directed PSP must send a Confirmation of Payee request for every applicable transaction that complies with the CoP rules and standards. It must deal with the response to that request (or the absence of a response) in accordance with those rules and standards.		
3.4	'A directed PSP' means each of the PSPs to which this direction is given.		
3.5	A 'Confirmation of Payee request' means a request sent by a PSP to check the name of the person the payer wishes to pay.		
3.6	The 'CoP rules and standards' means the rules and standards for Confirmation of Payee set out in the rule book developed by Pay.UK, as they stand at the time the payer initiates the transaction.		
3.7	A transaction is 'applicable' if:		
3.7.o	it is to take place by way of FPS or CHAPS		
3.7.p	both the account from which the payer proposes to send the money ('the sending account') and the account to which the unique identifiers given by the payer as the account to which the money is to be sent ('the receiving account') are UK accounts		
3.7.q	the unique identifiers used to identify both the sending and receiving accounts take the form of a sort code and account number		Has the risk of fraud migrating to non-sort code/account number unique identifiers such as mobile phone numbers being used as proxies e.g. Pingit been considered?
3.7.r	the transaction does not consist of a bulk payment		This exception will leave companies that submit bulk BACS files etc. vulnerable to variations on the current CEO/Invoice

			type frauds. Consideration should be given to introducing additional controls in this space.
3.7.s	the receiving account is not a PSP collection account and		Criminals are increasingly perpetrating Account Takeover Fraud against Credit Cards, which are then funded by FPS to the PSP collection account. Collection accounts should therefore be included in the Direction. Payers should be required to confirm that the Beneficiary Reference, typically a credit card number, is the one to which they wish to make a payment.
3.7.t	for the purposes only of paragraph 3.3, the transaction: <ul style="list-style-type: none"> • is the first time the payer has initiated a payment to be sent from the sending account to the receiving account, or • the payer has previously initiated a payment from the sending account to the receiving account, but no payment actually occurred. 		<p>Criminals are increasingly socially engineering customers into initiating low value payments to new beneficiaries, over whose accounts they have control. These are subsequently followed by higher value payments that would not be captured by the Direction as currently drafted.</p> <p>Where second payments are greater than £x or y% of the initial payment to that beneficiary, they too should be subject to CoP.</p>
3.8	'Unique identifier' has the same meaning as in the Payment Services Regulations 2017.		
3.9	An account is a 'UK account' if it is provided by a PSP in the course of that PSP's business within the United Kingdom.		
3.10	A transaction consists of a bulk payment when the payer is proposing to use it to make payments to more than one payee.		
3.11	An account is a 'PSP collection account' if a PSP uses it to collect funds in aggregation before transferring them to the appropriate individual accounts of its customers.		

4	Monitoring		
4.1	A directed PSP must send the PSR a written report on how it proposes to introduce a Confirmation of Payee process to the deadlines required by this direction.		
4.2	That report must contain at least the following information:		
4.2.a	The PSP's timetable for implementation of Confirmation of Payee in accordance with the requirements of this direction.		
4.2.b	The key milestones in each month that the PSP intends to meet to implement the required Confirmation of Payee process.		
4.2.c	The key risks to the PSP meeting the deadlines set out in paragraphs 3.1 and 3.3, and the mitigations it has put in place.		
4.3	A directed PSP must submit its first report on or before 29 September 2019. It must then submit a report every two months until the PSR informs it in writing that it does not need to submit any more.		<p>Only two reports will be submitted before the first deadline (31 December), with, in reality only a third report before the second deadline (31 March)</p> <p><i>After 31 December 2019, a directed PSP must respond to every Confirmation of Payee request</i></p> <p><i>After 31 March 2020, a directed PSP must send a Confirmation of Payee request for every applicable transaction</i></p>
4.4	Where this direction has been given to more than one PSP in the same banking group, those PSPs may submit a joint report.		
4.5	The PSR may, in writing, in respect of any directed PSP provide that:		<i>Can we assume that this will be invoked sometime in October 2019</i>

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4.5.a	it must submit its first report on or before a different date		
4.5.b	it must submit reports more or less frequently than every two months		
4.5.c	it must submit a report on or before a particular date that we did not previously require		
4.5.d	it does not need to submit a report where otherwise one would be required.		
5	Application of specific direction [X]		
	This direction applies to the directed PSPs.		
6	Commencement and duration		
	This direction comes into force on [DATE]		
	This direction continues in force until such time as it is varied or revoked by the PSR.		
7	Citation		
	This direction may be cited as Specific Direction [X] (Confirmation of Payee) .		
8	Interpretation		
8.1	The headings and titles used in this direction are for convenience and have no legal effect.		
8.2	The Interpretation Act 1978 applies to this direction as if it were an Act of Parliament.		

Confirmation of Payee: Consultation on specific direction (CP19/4)

8.3	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.		
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Aviva

From: [REDACTED]
To: [cop.consultation](#)
Subject: comments
Date: 11 June 2019 16:16:44
Attachments: [image001.png](#)

Aviva: **Confidential**

Hi

Apologies these comments are a little late , hopefully they can still be incorporated though understand if that's not the case.

Aviva's concerns over CoP relate mainly to the following:

- We worry about how this will be achieved . if it's just on internet banking portals this seems very sensible and can be supported.
- Applying this to mass payments products like BACS DD and DC we believe would be very detrimental to the UK payment interests and customers especially whom rely on getting there payments from us day to day.
- Please don't assume that there is an easy or simple way for Corporations with very old admin systems to comply with this type of regulation.
- So for example if banks were to start screening our BACS transactions and rejecting them there would be chaos for customers and for no good reason as these are regular payments often
- Aviva alone have 200 + systems actively using the banking systems such as bacs and faster payments to collect and pay to customers.
- You should also be aware that many systems we use , we don't necessarily have full control over , they being vendor supplied they take a long time to change.
- The other slight area of worry for us is our own bank accounts , we would be concerned in Business accounts were bought in to scope and how this might mean we might need to make admin changes to our own accounts to support a customer journey.

I hope these comments are of some help,

Kind regards

[REDACTED]

[REDACTED]

[Redacted]

[Redacted]

[Redacted]

Aviva, Willow House - Floor 3, Broadland Business Park, Norwich, NR7 0WG

Bank of America Merrill Lynch

Introduction

Bank of America Merrill Lynch (BoFAML) has compiled comments and responses to the Payment Systems Regulator's (PSR) responses outlined in their CP19/04 document.

Summarised below are our responses accompanied by the original corresponding question/answer pair from the PSR's document on Confirmation of Payee (CoP).

Question 2: Views on the scope of the direction.

PSR's Response: Limiting the direction to the PSPs in the largest banking groups is an effective and more proportionate approach to achieving our objective.

Whilst we agree that directing the largest banking groups is an effective means of achieving the overall Confirmation of Payee (CoP) aim to reduce authorised push payment (APP) fraud, we, as a PSP that is not currently being directed, would benefit from guidance as to when we would be expected to offer CoP. As it stands the PSR believes that currently out of scope PSPs should have 'strong incentives' to offer CoP as soon as they can from a reputational perspective. We agree that this is an incentive however **we wanted to understand if the PSR is considering using a subsequent deadline for the remaining PSPs.** This deadline may be used should uptake outside the directed banking groups be too slow. If so, any guidance as to this deadline is welcomed. This could be an extension to the PSR's current statement in section 2.38 and a clarification of what regulatory action they would consider.

Given we know that the six largest banking groups will be implementing CoP by 2020, **we suggest that a post implementation review be compiled and shared as appropriate.** This will allow remaining PSPs to incorporate lessons learnt during the initial round of CoP integration which could lead to a smoother implementation, particularly if the PSR feel that it is appropriate to present remaining PSPs with a deadline.

Question 4: Direction should be given for both FPS and CHAPS.

PSR's Response: The direction should only cover FPS and CHAPS transactions.

We agree that Bacs, among other payment methods outside of FPS and CHAPS, should not be in scope. In section 2.55 however, the PSR details the reasoning for not including Bacs Direct Credit payments is the batch nature of Bacs payments. Whilst it is true that the majority of Bacs payments are batch, such as payroll, BoFAML also offer the ability for our clients to initiate single Bacs transactions through our online banking portal (CashPro Online). Downstream these individual payments are sent to the Bacs clearing as a batch. In this context, one might argue that the benefit of CoP requests is the same as CHAPS and FPS hence individual Bacs payments might warrant being in scope. The user experience when instructing a payment to a new payee is almost identical to CHAPS and FPS therefore the potential for an APP fraudster to exploit could be viewed as similar. The proportion of these payments compared to batch/file initiated payments is small. **We would like clarification that even where single Bacs payments are initiated through the online channel, the direction still only covers FPS and CHAPS.**

Question 5 - Part 1: Should the directions apply to all payment channels that an FPS or CHAPS payment can be initiated from? **Part 2:** Should a CoP request only apply when a new payment mandate is being set up or changed?

PSR's Response: The direction should apply to all payment channels. The direction should only apply to new or changed payment mandates

We have payment channels that can initiate FPS and CHAPS payments to existing payees only. Examples include our mobile app. The transactions initiated through these channels would only correspond to existing mandates and cannot be for edited or new mandates. **To that end we request clarification as to whether payments originated via such channels would be in scope for CoP requests. As per question 5 part 2 we believe these payments would not be in scope as they are existing unaltered mandates.** Our concern is that we have a payment channel that can initiate FPS and CHAPS (existing mandates only) that cannot send or receive CoP requests.

Barclays

Payment Systems Regulator (PSR) consultation on general directions on implementing confirmation of payee

1. About Barclays

- 1.1. Barclays is a transatlantic consumer and wholesale bank with global reach, offering products and services across personal, corporate and investment banking, credit cards and wealth management, with a strong presence in our two home markets of the UK and the US. With over 325 years of history and expertise in banking, Barclays operates in over 40 countries and employs approximately 85,000 people. Barclays moves, lends, invests and protects money for customers and clients worldwide.

2. Summary

- 2.1. Barclays welcomes the opportunity to comment on the Payment Systems Regulator's (PSR) consultation on a draft specific direction for confirmation of payee. We are fully supportive of confirmation of payee, which will be an important tool in helping to prevent accidentally misdirected payments and will help to combat fraud.
- 2.2. Barclays has a mature confirmation of payee project and we have plans to roll out the *respond* capability of the confirmation of payee service to all our UK based customers. We also have plans to roll out the *send* capability across all customer payment channels where we believe it is possible to comply with rules and standards set out by Pay.UK. This includes in-branch payments, telephone payments, online banking payments and mobile banking payments for all our customer segments (personal, business and corporate).
- 2.3. We believe our plans align to PSR's proposed direction. However, we do have some concerns and would welcome clarification from PSR on a number of specific aspects. This includes:
 - **We think PSR should direct all Payment Service Providers (PSPs) within the scope of Pay.UK rules and standards to deliver confirmation of payee.** The limited nature of the PSR's proposed direction will mean that at least 1 in 10 payments will not be subject to a confirmation of payee check.¹ Our concern is that fraudsters will exploit this gap and maliciously misdirected scams continue unabated.
 - Compliance with the draft direction is dependent on the satisfactory completion of outstanding activities by Pay.UK and the supplier for confirmation of payee, the Open Banking Implementation Entity (OBIE). **All Pay.UK and OBIE's outstanding work for confirmation of payee, including activities involving the Information Commissioner's Office (ICO), must be completed by 31 August 2019**, and preferably earlier. This is to provide the industry with sufficient testing and implementation time, which must also be supported by Pay.UK.
 - **PSR must ensure that if an incorrect yes confirmation of payee response is given and customer loss occurs there are protections for the prompt repayment of such funds, and a process for managing disputes.** Consumers should not have to rely on voluntary procedures where there may be, just over, a one-in-three chance of recovering any lost funds.²
 - Our customers can make Faster Payment and CHAPS payments without using a Barclays interface or without any near real-time communication between Barclays and the customer. This includes direct submission to the payment system operator, file based submissions, submission by third parties and submission without the involvement of a natural person. **Payments where**

¹ Page 10, PSR (May 2019), *Confirmation of payee: Response to the first consultation and draft specific direction for further consultation*, <<https://www.psr.org.uk/sites/default/files/media/PDF/PSR-CP-19-4-CoP-specific-direction-consultation-May-2019.pdf>> [accessed June 2019]

² Page 27, PSR (May 2019), *ibid*

we cannot communicate a confirmation of payee message directly to the customer in near real time, and so comply with Pay.UK's rules, we interpret as out of scope of the direction. We will continue with this interpretation unless PSR states otherwise.

- We do not think it is appropriate or possible for confirmation of payee to be used for a small number of transaction types. This includes payments related to the wholesale money markets (200 series payments), for a single payment in a bulk payment file and for payments where payee information is prepopulated (for example, biller update service payments, Paym payments, etc.). **We ask PSR to clarify the direction so that wholesale payments, file based payments and prepopulated payments are explicitly out of scope.**

2.4. Finally, confirmation of payee is one of a number of strands of activity to help address authorised push payment scams. These crimes cause significant financial and non-financial detriment to consumers. In addition to confirmation of payee, Barclays were pleased to be one of the organisations involved in the creation of the contingent reimbursement model (CRM) code and are a proud signatory. The code is significant step forward in helping protect customers and reimburse those who have been victims of scams. We have also spearheaded initiatives to improve consumer understanding of financial crime, and how to reduce the risk of becoming a victim; this includes our *digisafe* initiative. However, we believe that to reduce the volume of victims we must look beyond the signatories of the code and the participants in confirmation of payee. We are calling on all organisations who enable scams to take place to contribute to the work being done to safeguard and compensate consumers and help to stop scams once and for all. We encourage PSR to work with other regulators and the Government to support this call and work to prevent scams at source.

3. Dependency on Pay.UK and the OBIE

- 3.1. It will not be possible for directed PSPs to meet the deadlines proposed by PSR without Pay.UK and OBIE promptly completing the full suite of documents and agreements to support confirmation of payee.
- 3.2. The terms and conditions for confirmation of payee are not complete. The terms and conditions are the primary document in the document hierarchy for the confirmation of payee service. If there is any inconsistency or uncertainty, the terms and conditions will prevail. It is the terms and conditions that will govern the data transfer arrangements and will codify inter-participant liability arrangements.
- 3.3. The absence of these documents is a crucial dependency because, at its most basic, confirmation of payee is simply a data and liability transfer service that relies on the technology and infrastructure provided by OBIE. It is the OBIE's infrastructure and services that will support the transfer of information between participants in confirmation of payee, and ensure the security of the service and safe identification of participants in the service.
- 3.4. Confirmation of payee will transfer personal data from the beneficiary PSP to the payer PSP for onwards display to the payer when a *close match* response occurs. The data subject's personal data will be transferred to a third party and stored without their consent. Therefore, confirmation of payee must have adequate and binding protections regarding the use and storage of personal data.
- 3.5. The service also transfers liability from the payer to the beneficiary PSP when the beneficiary PSP provides a *yes* response to the payer (the payer PSP is obliged to display the answer received). If a beneficiary PSP offers an incorrect response, then there must be a mandatory process that ensures that the party who made the mistake recompenses the payer promptly for any loss. All of the above still need to be addressed in the outstanding terms and conditions, rules and agreements. How they are finalised will ultimately influence the required amendments to a PSP's contractual arrangements and internal processes and policies.
- 3.6. We still lack detail on the operational processes that will allow identification of participants in confirmation of payee. In the absence of a specific confirmation of payee marker in the OBIE directory, a manual process will be in operation, which carries additional risks. Such risks include disclosure of personal data to Open Banking participants who are not participants in confirmation of payee or have been ejected for non-compliance with Pay.UK's standards and rules. Pay.UK has not confirmed in detail how this manual process will operate.
- 3.7. Barclays has not received detail on the engagement between Pay.UK and ICO on the adequacy of the legal and operational documents produced by Pay.UK for confirmation of payee. We understand Pay.UK are still in the process of updating their assessment following dialogue and input from ICO. Barclays appreciate that participants must perform their own data protection impact assessment. But, such an assessment can only be completed based on the final confirmation of payee documents and any other relevant documents from Pay.UK or ICO.

- 3.8. Because of Pay.UK and OBIE's incomplete work our project has gone as far as it can in a number of important areas. Amongst other things, until Pay.UK has completed the above we cannot:
- Finish our Internal product development, governance and approval processes
 - Complete data protection impact assessments based on the final terms and conditions, rules and operational guidelines (and informed by any revised Legitimate Interests Assessment (LIA) from Pay.UK or a statement from ICO)
 - Finalise our assessment of changes required to customer agreements, operational procedures and privacy notices, and a timeline for their implementation (this is particularly relevant given the unknown arrangements with OBIE)
 - Complete our plans for communication with customers (including staff training)
 - Commence external testing of services that involves the transfer of personal data
- 3.9. We welcome PSR's expectation that *the full set of documents will be available before any testing and implementation dates.*³ Given the need for extensive testing for the successful implementation of confirmation of payee, we suggest directing Pay.UK and possibly its infrastructure supplier for confirmation of payee, OBIE, to satisfactorily complete all outstanding work for confirmation of payee by 31 August 2019. If Pay.UK do not meet this deadline, the directed parties will not be able to meet the proposed 31 December deadline. We also would like PSR to encourage Pay.UK to be transparent with participants on work in progress and with relevant documents completed before that deadline.
- 3.10. We would like to remind PSR that it is industry practice to avoid significant changes to banking and payment systems during December. This *change freeze* is in place to minimise the risk of disruption of payment services over the festive period. As a minimum of three months of industry testing and implementation of the *respond* capability will be required, then, because of the industrywide *change freeze* in December, any delay from Pay.UK beyond 31 August 2019 will mean that industry will not be able to deliver the *respond* functionality by 31 December 2019.
- 3.11. We also expect Pay.UK to play a critical role in supporting industry testing and implementation coordination in autumn. We need clarity on the implementation and testing support available from Pay.UK.
- 3.12. Finally, we would welcome PSR's support concerning inter-participant liability in the event of an error. We think it is crucial for confidence in the confirmation of payee service that, when an error is made by a beneficiary PSP and money is lost, there is a clear inter-participant liability on the institution responsible for the loss and an industrywide confirmation of payee dispute resolution process to recompense the individual or business promptly. The process must be binding and not reliant on other, perhaps voluntary, industry schemes to recover such losses.
- 3.13. In the circumstances that a customer receives a yes confirmation of payee message in error and carries on with, what is in effect, an accidentally misdirected payment, the payer will not be able to claim that money back under the Contingent Reimbursement Model Code (CRM code) as an error is not fraud. The payer will have to rely on existing recovery processes. For Faster Payments and Bacs transactions, there is the Credit Payment Recovery (CPR) process. The CPR process does not guarantee recovery and can take at least 20 working days for the outcome of any claim to be known. As the PSR discovered, little more than a third of the money is recovered when an FPS or CHAPS payment is accidentally misdirected.⁴ We urge PSR to work with Pay.UK to ensure that there are appropriate binding protections for the prompt repayment of funds in such cases, and a process for managing any related disputes.

³ Page 8, PSR (May 2019), *ibid*

⁴ Page 27, PSR (May 2019), *ibid*

4. Third party channels and channels with no graphical user interface

- 4.1. Barclays has a mature confirmation of payee project in place. We have plans to roll out the *send* capability for confirmation of payee to channels used to initiate payments for all our UK based customer segments (personal, business and corporate). Our plan includes:
 - In branch payments
 - Telephone banking payments
 - Online banking payments
 - Mobile banking payments
- 4.2. Our project consists of all channels where we believe it is possible to comply with the Pay.UK's rules and standards for confirmation of payee. They are the channels responsible for significant volumes of payment traffic and where Barclays provides a user interface to our customers (or speaks directly to our customers). However, there are some clarifications we seek from PSR concerning the draft direction.

Bulk payments or file-based payments

- 4.3. We appreciate the exclusion of *bulk* payments from the definition of an *applicable transaction*. We think this helps with payment channels which submit a payment file directly to the payments system operator's infrastructure provider (circumventing Barclays entirely) in a payment file (for example Direct Corporate Access), and channels which submit bulk payment files to Barclays for onwards transmission. However, it is possible for such customers to initiate a payment file through those channels that only includes a single payment. We do not believe that PSR intends confirmation of payee to cover such circumstances in the definition of an *applicable transaction* as it is technically not possible to complete a confirmation of payee routine. Therefore, we suggest that PSR expands the definition of *bulk* to include all file-based submission methods, whether directly submitted into the payment system operator or otherwise.

Where payers do not interact directly with Barclays or in real time

- 4.4. We interpret the language at paragraph 2.3 of the draft direction which states that *a directed PSP must send a Confirmation of Payee request for every applicable transaction that complies with the CoP [confirmation of payee] rules and standards⁵* as meaning that any channel or transaction where it is not possible to comply with Pay.UK's rules and standards for confirmation of payee is out of scope of the direction. We are providing a few examples of our interpretation. We will continue with this interpretation unless PSR states otherwise.
- 4.5. One such example is our payment channel where clients instruct payments from their accountancy platform, usually a third party software package, direct to Barclays' payment engine; often referred to as host-to-host. Users of host-to-host are very sophisticated businesses. In effect, the payment is initiated without human interaction, there is no customer to input the payment details or react to a confirmation of payee message.
- 4.6. Similarly, we enable SWIFTNet Corporate Access. These are payment initiation messages for use by sophisticated businesses and financial institutions. SWIFTNet corporate access allows users to initiate CHAPS or FX payments directly via the SWIFT network. A user would make a payment by sending a SWIFT message via their own SWIFT infrastructure or through a third party service provider such as a service bureau. As we do not control the interface in which the payment is entered or the communication between SWIFT and the payer, we do not believe that we can comply with Pay. UK's confirmation of payee rules for these payments. Therefore, we consider them out of the scope of the direction.
- 4.7. We interpret the draft direction as excluding payments where the payments are made by a PSP using their own funds from a suspense account.

⁵ Page 35, PSR (May 2019), *ibid*

- 4.8. Certain payments such as those initiated using the *Pay by Bank* service on *Pingit* (a service where a customer initiates a payment to a merchant by generating a Faster Payment from their underlying Account Servicing PSP (ASPSP) account using a six-digit code) would also be out of scope. This is because there is not the opportunity for a confirmation of payee response to be provided to the customer. Similarly, payments initiated by electronic money issuers, for instance when an underlying bank account is used to fund an e-money wallet (i.e. PayPal), would also not provide the opportunity to provide a confirmation of payee response.
- 4.9. We also interpret the draft direction as limited to payment instructions received directly from an end-customer where we have a real-time interface with that customer. Should an end-customer instruct a payment through a Payment Initiation Service Provider (PISP), agency PSP or intermediary PSP, we cannot provide a confirmation of payee response to that third party payment provider during our limited involvement (in the payment initiation or as intermediary PSP). And we cannot comply with requirements to provide a real-time response to the payer.
- 4.10. Based on the scope of phase one delivery and meeting the proposed contractual obligations with Pay.UK, we would deem TPPs out of the scope of PSR's draft direction. On this issue, we understand that there is an objective reason to treat the payment orders differently in respect of our obligations as ASPSPs under the Payment Services Regulation 2017, but we would welcome additional clarity from the PSR on the relationship between PSR's draft direction and the Payment Services Regulations 2017.
- 4.11. Finally, we think that in other scenarios where we do not have a real-time interface with the client in respect of payment instructions are similarly out of scope. Such situations could include fax, e-mail or postal payment instructions. These do not lend themselves to providing confirmation of payee response as envisaged in the rules given there is no real time customer interaction.
- 4.12. If PSR do not agree with our interpretation and, instead, customers using all or some of the above or similar methods of payment are in scope for the direction then industry compliance with the 31 March 2020 date will not be possible. This is primarily because of the technical challenge of delivering confirmation of payee for some or all of the above payment methods. It will be necessary to amend Pay.UK's rulebooks, technical standards and operational guides to meet the requirements for the above payment methods. Finally, our project scope was determined with reference to Pay.UK's confirmation of payee service as defined by its rulebook and other supporting documents, any extension of the project's scope will necessarily extend the life of that project.

5. Individual transactions in scope

- 5.1. We understand why PSR at 2.7 (f) has defined an applicable transaction where a payer PSP is required to *send* a confirmation of payee request:
- *The first time the payer has initiated a payment to be sent from the sending account to the receiving account, or*
 - *The payer has previously initiated a payment from the sending account to the receiving account, but no payment actually occurred.*⁶
- 5.2. However, Pay.UK has not designed the confirmation of payee service in a way that will link a specific confirmation of payee request to a specific payment. The only link possible is a temporal one. Therefore, there are some potentially undesirable outcomes from PSR's proposal. As written, we believe there are limited circumstances where a customer could end up with a poor experience from the service.
- 5.3. A poor experience could result for a customer where they complete a positive confirmation of payee routine for a forward dated payment (a Faster Payment that will be initiated at a date in the future chosen by the payer). However, if, before that payment is sent, they need to make a single immediate payment to the same payee, under the draft direction, the payer would have to complete a second confirmation of payee routine. Such an outcome would impose additional costs directly or indirectly onto the payer, and will not prove to be a positive customer experience. We invite PSR to reconsider the language of 2.7 (f) in light of this.
- 5.4. We remain of the view that payments related to financial market infrastructures (such a CLS – continuous linked settlement) should be out of the scope of confirmation of payee. We also think that other payments related to wholesale money markets should be out of scope. This would include all 200 series payments. These CHAPS payments are time critical. We suspect that most will be made by via SWIFT messages, so if PSR accepts our interpretation regarding third-party controlled payment channels, then most will be out of scope. However, not all, as some financial institutions use more traditional bank controlled channels. We think PSR should consider a specific exemption for such transactions. Similarly, PSR may wish to consider exempting payments made by PSPs themselves (for example payments to other financial institutions or loans to clients). While PSPs may want to perform a confirmation of payee check for their own payments, it need not be mandatory.
- 5.5. Finally, we would welcome confirmation that when customers initiate payments using the biller update service or *Pingit* / Paym, a confirmation of payee request is not necessary. The biller update service is a service run by Pay.UK. It provides the details of pre-registered beneficiaries for bill payments. In effect, the customer picks the business they wish to pay, and the payment is prepopulated with the sort code and account number of the payee business. If PSR includes these payments in scope of the direction, we expect the customer experience will be inferior. The reason for this unfortunate experience is because some of the billers may bank with institutions out of the scope of the direction, or will use head office collection accounts (HOCAs). In addition to the biller update service, *Pingit* has a business and charity directory which operates in a similar basis. In *Pingit* and Paym, payees are identified by their mobile number, and the registered name is displayed to the payer before payment. We suggest revising or clarifying the direction so that it is clear that a confirmation of payee request is only required when the payer physically enters or provides the name, sort code and account number of the payee.

⁶ Page 36, PSR (May 2019), *ibid*

6. Other points

- 6.1. We have some minor points we would like to raise with PSR.

Definition of UK accounts

- 6.2. We would suggest the PSR define *account* following the definition of *Payment Account* as defined in the Payment Services Regulations 2017. Using this definition would align it to the definition of *account* in Pay.UK's standards and rules for confirmation of payee. We also think PSR should clarify that the application of the direction only applies for sterling payments to and from sterling UK domiciled *payment accounts* only.

General exemption for applicable transactions to allow for future innovations

- 6.3. Given the scope of payments potentially caught in the draft direction and the changing nature of payments, we invite PSR to consider whether to include a right for the PSR to exclude certain payments for which a confirmation of payee request or response is not appropriate. PSP's could apply to PSR for an exemption for a specific channel or subset of transactions based on a valid justification and rationale. This would enable PSR to make sensible exemptions where the draft direction inadvertently captures unintended payments (which could cause customer or market detriment). This is particularly relevant for any new or innovative push payment approaches that may develop in the future (possibly for tokenised push payments or payments related to the internet of things). We suggest a simple amendment to paragraph 2.7 of the draft direction; to allow for exceptions from the definition of *applicable transactions* where PSR agrees.

Building Societies Association (BSA)

Set out below is the response from the Building Societies Association to the Payment Systems Regulator's (PSR's) consultation paper CP19/4 on Confirmation of Payee (CoP) issued in May 2019.

The Building Societies Association (BSA) represents all 43 UK building societies, as well as 5 credit unions. Building societies have total assets of over £400 billion and, together with their subsidiaries, hold residential mortgages of over £315 billion, 23% of the total outstanding in the UK. They hold almost £280 billion of retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for 37% of all cash ISA balances. They employ approximately 42,500 full and part-time staff and operate through approximately 1,470 branches.

Summary

- We support the PSR's proposal to direct the largest payment services providers (PSPs) to a firm timetable for implementation of CoP - subject to any comments from the BSA member directly affected by the proposed timetable, we believe it to be reasonably achievable. However, implementation should be co-ordinated with firms planning together so that there is consistency in key areas such as user interface testing and communication to consumers.
- We agree with the PSR's plan that other Phase 1 PSPs should be allowed to implement CoP in their own time as soon as they can. However, "as soon as they can" is likely to be significantly later than the target timetable for directed firms. Feedback from relevant BSA members is that the market for outsourced CoP solutions is not sufficiently developed to meet demand from a large number of PSPs within a short timescale and that COP will anyway be competing for resource with implementation of Strong Customer Identification and other regulatory requirements.
- However, building societies and other PSPs who are to be covered under CoP Phase 2 are going to be at a competitive disadvantage compared to Phase 1 firms on APP fraud as they will not be able to offer their customers the same levels of protection and will not be visible as receiving banks on CoP enquiries until Phase 2 is implemented. With this in mind, we are particularly concerned that there is no firm timetable for Phase 2 yet and that technical issues around the Open Banking Directory are not being tackled with urgency so can only assume that these PSPs face an indefinite period of disadvantage.
- Unfortunately, the PSR's proposed timetable will keep highlighting this competitive disadvantage as it will provide regular opportunity for consumer groups, media and consumers themselves to compare and contrast different levels of protection. It is unlikely that any of these parties will accept technical points about sort codes as grounds for apparently making no effort to protect customers in the same way that their competitors do.
- The consumer group Which? has already indicated such a position with a challenge that "The regulator must ensure that all banks introduce vital name-check security (confirmation of payee) no later than its new deadline of March 2020". We would appreciate early engagement with the PSR on plans to respond to Which?'s challenge.

- The BSA and our members will commit to working closely with PSR, Pay UK and other appropriate bodies to support implementation of both phases of Confirmation of Payee.

The PSR's Proposal

We support the PSR's proposal to direct the largest PSPs to adopt a fixed timetable for implementing Confirmation of Payee. In our reply to the PSR's consultation of November 2018 we agreed with the need for a timetable to give both PSPs and consumers certainty around delivery of Confirmation of Payee. The PSR's current proposed timetable for the big 6 of responding to CoP requests by 31 December 2019 and a full service by 31 March 2020 appears reasonable from an outsider's standpoint but the BSA member directly affected by the proposed timetable is in a better position to comment on this.

However, implementation should include a co-ordinated programme of work so that firms plan together for key implementation matters such as user interface testing and communications to consumers. Establishing a framework for co-ordinating testing and communications will also help smaller PSPs when they launch CoP services as well as providing the consumer with a consistent, user-friendly introduction to the service.

We also supported some form of sub-phasing within Phase 1 of CoP to take into account different states of readiness and the scarcity of solution providers available to smaller PSPs. We agree with the PSR's contention that other Phase 1 PSPs should be allowed to implement CoP in their own time as soon as they can.

However, "as soon as they can" is likely to be significantly later than the target timetable for directed firms:

- Feedback from relevant BSA members is that the "developing" market for outsource solution vendors for CoP is still not at enough capacity to meet the needs of a significant number of PSPs all looking to implement CoP solutions within a similar timeframe.
- Firms already have a heavy regulatory workload during 2019-20 – CoP will be competing for resource against PSD2 Strong Customer Identification (from September 2019), operational resilience management (October 2019) and transposition of the 5th Money laundering Directive (January 2020) plus preparations to allow them to participate in the CRM Code.
- Adding CoP requirements to an already burdensome regulatory agenda is particularly challenging for smaller PSPs with limited technical development and management oversight resources.

PSPs unable to give their customers the same level of protection as larger firms

While we understand the technical distinctions between accounts with and without their own unique addressable sort code, the PSR's decision to introduce CoP in two phases has created a group of PSPs now in the unhappy position of being unable to respond to competitive pressure and give their customers the same level of protection as larger firms:

- This will result in two-tier APP fraud protection with C.4 million building society customers plus customers of challenger banks and credit unions less protected.
- On top of this, any consumer wanting to use CoP to validate transfers to Phase 2 PSPs will be unable to do so as these firms' sort codes will not match with the open banking directory used for CoP until Phase 2 is completed– which also has potential to affect the competitive position of those firms.

This creates the following risks:

- Reputational risk for those PSPs in being seen to be outside of CoP and not offering our customers the same protections and associated adverse media coverage (see Which? example below).
- Risk that, without visible access to Confirmation of Payee, criminals will view these PSPs as an easier target than firms who are CoP participants, both in terms of targeting customers for fraud and targeting building societies / credit unions for laundering the proceeds of fraud and other crime.
- Competition risk that all of the above will drive customers away from building societies and others in favour of Phase 1 firms that are perceived as more active in protecting them against fraud.

Unfortunately, another consequence of the PSR's proposed timetable is to keep highlighting their competitive disadvantage as it will provide regular opportunity for consumer groups, media and consumers themselves to compare and contrast different levels of protection. It is unlikely that any of these parties will accept technical points about sort codes as grounds for apparently making no effort to protect customers in the same way that their competitors do.

AN EXAMPLE OF REPUTATIONAL RISK – WHICH?

On 22 May 2019, in the run up to the launch of the CRM Code on APP fraud reimbursement, Which? published a press release “New industry code must deliver, says Which?, as £674 a minute is lost to bank transfer scams”.

Which? publicly demanded that the industry meets five tests that Which? judges critical to ensuring progress towards tackling APP fraud – these cover both the CRM Code and Confirmation of Payee.

The tests includes the following on Confirmation of Payee – “The regulator must ensure that all banks introduce vital name-check security (confirmation of payee) no later than its new deadline of March 2020. The latest delay will cost people an additional £109m in losses while they wait for this important measure”.

Which? further states that “the consumer champion will not hesitate to demand intervention from the regulator if it fails to deliver for consumers”.

We appreciate that two-tier APP fraud protection is obviously not a successful outcome for the PSR either as the above situation clearly doesn't deliver on PSR's key statutory objectives – in particular the objectives “to ensure that payment systems are operated and developed in a way that considers and promotes the interests of all the businesses and consumers that use them” and “to promote effective competition in the markets for payment systems and services - between operators, PSPs and infrastructure providers”.

But, we note with concern that this consultation confirms that the timeline for delivery of Phase 2 is “yet to be determined” as “it will be influenced by the implementation of Phase 1 and whether the Open Banking Implementation Entity can make relevant changes to the Open Banking Directory” – i.e. that Phase 2 firms will be facing this competitive disadvantage for a significant, indefinite period.

Next steps

The PSR has a key role to play in addressing the challenges posed by Which? around delivery of Confirmation of Payee – in particular explaining how decisions on phasing the introduction of CoP have left some firms have been left with their customers less protected.

The BSA and other affected trade bodies would welcome early engagement on plans to respond to Which?.

We are also keen to work with the PSR and others to develop design standards and a firm delivery timetable for CoP Phase 2 and then implement that in good order:

- We look to the PSR as the relevant responsible regulator to do all it can to minimise Phase 2 firms’ exposure to competitive disadvantage by actively seeking resolution of the timing and Open Banking Directory issues mentioned in this consultation.
- We would like to see regular stakeholder updates from the PSR on progress with Phase 2 – the PSR as the relevant regulator is in a unique position to provide updates and follow up on issues / concerns.
- We have already established good dialogue with Pay UK and welcome their invitation for building societies to join their CoP Phase 2 Advisory Group – an invitation that a number of our members have already taken up.

The BSA and our members will commit to working closely with PSR, Pay UK and other appropriate bodies to support implementation of both phases of Confirmation of Payee.

Chartered Institute of Credit Management



Our ref. GB/PJK/NH

4 June 2019

Confirmation of Payee Consultation
Payment Systems Regulator
12 Endeavour Square
London
E20 1JN

Dear Sir/Madam

RESPONSE OF THE CHARTERED INSTITUTE OF CREDIT MANAGEMENT (CICM) TO: PAYMENT SYSTEMS REGULATOR: CONFIRMATION OF PAYEE CONSULTATION

The Chartered Institute of Credit Management ([CICM](#)) is the largest recognised professional body in the world for the credit management community. Formed 80 years ago, the Institute was granted its Royal Charter in 2014. Representing all areas of the credit and collections lifecycle, it is the trusted leader and expert in its field providing its members with support, resources, advice, and career development as well as a networking and interactive community. In addition to its comprehensive suite of qualifications and learning opportunities, events and magazine 'Credit Management', the CICM administers the [Prompt Payment Code](#) for BEIS. Independently, and through collaboration with business organisations, it provides vital advice to businesses of all sizes on how best to manage cashflow and credit.

CICM members hold important, credit-related appointments throughout industry and commerce, and we feel it appropriate to comment on this consultation.

Our members welcome the acknowledgment that certain implementation aspects of this service require some refinement, however they have also expressed some frustration and disappointment that implementation has been delayed, as this could allow the fraud to continue for longer. There is concern that if initial implementation is to be rolled out to the six banking groups outlined in the paper, this could allow those committing fraud to simply move their activity to institutions that do not have to comply. This would create a loophole for criminals to circumnavigate the protection the scheme would offer.

CICM members also feel that more clarity is needed on what the deadline is likely to be for ALL institutions to comply, so that the risk associated with a staggered implementation can be addressed.

If we can help in any further way please do not hesitate to contact us.

Yours faithfully

[Redacted signature]

[Redacted name]

[Redacted title]

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Experian



**Experian's response to
Consultation CP19/4
Draft specific direction for further consultation (CoP)**
Response sent to Payment Systems Regulator
on 5 June 2019

For any queries please e-mail:
RegDev@uk.experian.com

Introduction

Experian is pleased to offer its comments to the questions posed in the Consultation on draft specific directions for the implementation of Confirmation of Payee (CoP).

Background on Experian

Experian is a credit reference and data analytics business, providing services direct to consumers and to businesses across a number of sectors. We provide credit data services to lenders and operate in the price comparison website market.

Experian's data and analytics help people, businesses and organisations protect, manage and make the most of their data, creating better business and consumer outcomes and building stronger customer relationships.

Experian helps people, businesses and organisations to:

- **Lend and borrow responsibly:** by gathering information on past and present credit commitments, such as loans, mortgages and credit cards, Experian helps lenders to understand whether people and businesses can manage their debt repayments, so they can borrow and lend responsibly.
- **Treat people and businesses fairly:** because Experian helps organisations make decisions based on facts, they can treat people and businesses fairly and consistently, which in turn helps people to access credit.
- **Consumer empowerment:** because Experian provides consumers with access to their financial data, we can empower them to use it to make financial decisions through our personal credit information and comparison services.
- **Make better, more efficient decisions to create better business outcomes:** by gathering and analysing information supplied by people and businesses, organisations can make quicker decisions, now taking seconds and minutes instead of days. Organisations need to make fewer manual checks which means less administration and fewer bad debts. This means the cost of extending credit is lower.

Response to Consultation Questions

Question 1: *Is giving directions under section 54 of FSBRA to PSPs requiring them to introduce CoP the right approach to securing our objectives, in particular to reduce significantly losses and harm from APP scams and accidentally misdirected payments as soon as possible? Are there other approaches that would lead to the same outcomes that we should consider, and, if so, what are they? Do you have any other comments on the issues raised above?*

Yes, we do think this is the right approach, although we do have some concerns over the specific directions only being mandated to the six largest banking groups - this may lead to confusion, disruption and targeted fraud in the market;

Confusion; consumers may not understand why some banks offer this capability but others don't.

Disruption; consumers may choose to only use the largest six banking groups because the smaller banks do not offer this functionality.

Targeted Fraud; Fraudsters could open or take over accounts at PSPs that are unable to respond to CoP requests.

Question 2: *Assuming directions in respect of FPS and CHAPS are given, are there any types of PSP that should not be given the directions? What is the basis for your view, particularly having regard to the likelihood of achieving the benefits of CoP?*

We believe that all PSPs should be directed to complete CoP for the reasons stated above.

Question 3: *Should the same PSPs be subject to a requirement to respond to a CoP request as those that are required to send a request?*

Yes. As above.

Question 4: *Do you think that we should consider giving directions in relation both to FPS and CHAPS transactions? If you believe that we should consider giving directions in relation to only one of these payment systems, or more than FPS and CHAPS, please set out why. Are there any other issues that we should consider when deciding which payment systems should be in scope?*

Yes, we do believe that consideration should be given to all of these payment channels in order to help reduce fraud exposure from all angles and particularly because CHAPS payments are typically much higher in value.

Question 5 – part 1: *Should the directions apply to all payment channels that an FPS or CHAPS payment can be initiated from?*

Yes. As above.

Question 5 – part 2: *Should a CoP request only apply when a new payment mandate is being set up or changed?*

This should be left to the PSPs to decide and built out based on risk profiles. There should be a minimum standard, which could be for all new or changed payment mandates. Additionally, PSPs should not be discouraged from using CoP for additional checks if they feel it to be appropriate.

Question 6: *How should any directions deal with the potential for people to opt out of the CoP process?*

Clear guidance should be given and directions standardized so that all PSPs apply the same opt out processes for CoP. The guidance should include clear messaging to be shared with the consumer to ensure that they understand the potential consequences of their choice to opt out.

Question 7: *Should any directions cover the sending of money from both individual and business accounts?*

Yes. We can't think of any reason why not to utilize the facility once built to its full capability.

Question 8: *Should the directions separate out responding to CoP requests from being able to send CoP requests? Should directions cover both sending and responding?*

Yes, they should be separated out and should cover both.

Question 9: *Do you agree with the deadlines for the introduction of CoP?*

Yes, the sooner the better but obviously ensuring all mandated firms in scope of these changes can meet the timelines for the benefit of consumers (as outlined in our response to Q1).

Question 10: *Are there any alternative approaches that we should consider instead of giving directions to PSPs as set out in this document?*

Services and data already exist within the market which can offer bank account verification. Particularly for the smaller banks who have raised concerns over being able to implement CoP, we would suggest that these could be easier to implement and hence should be considered as an alternative solution.

Question 11: *Is our assessment of the benefits the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.*

Yes.

Question 12: *Is our assessment of the costs the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.*

Yes.

Question 13: *Is our assessment of the trade-off between costs and benefits the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.*

Yes.

Question 14: *What is your view on the impact of the proposed dates in our approach to the trade-off between costs and benefits? Do you consider that imposing April and July deadlines impacts either the costs or benefits of implementing CoP relative to a later implementation date – for example, 2020 or later?*

We aren't in a position to be able to comment.

Question 15: *Do you have any comments on our assessment of the impacts of the directions we are considering on protected groups or vulnerable consumers? Do you have any evidence that will assist the PSR in considering equality issues, and in-particular complying with its public equality duty, in deciding whether to give directions and considering alternatives?*

Particularly if CoP is only mandated to a limited number of PSP's and/or to certain payment types, it's important that vulnerable consumers/those with mental health issues can demonstrate that they have a general understanding of what decision they need to make when choosing their payment option and why they need to make it – such questions as: Do they understand the consequences of making, or not making, their decision? Can they understand and process information about their decision? Call centre staff will need to be trained to answer questions related to CoP, supporting the consumer to make the right decision.

More generally, for all consumers the introduction of CoP will be totally new and more especially for vulnerable consumers, the process and benefits will need explaining clearly and in a format that can be understood by those who perhaps don't have the full capacity to understand the changes being introduced and why.

[REDACTED]

Financial Services Consumer Panel

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Confirmation of Payee Consultation
Payment Systems Regulator
12 Endeavour Square
London
E20 1JN

5 June 2019

By email: cop.consultation@psr.org.uk

Dear Sir / Madam,

Confirmation of Payee - Response to the first consultation and draft specific direction for further consultation

The Financial Services Consumer Panel welcomes the opportunity to respond to the PSR's further consultation on Confirmation of Payee (CoP).

The Panel is supportive of efforts to help prevent Authorised Push Payment (APP) scams and accidentally misdirected payments. It supports the introduction of CoP, and the content of the PSR's draft specific direction to the Payment Service Providers (PSPs) in the six largest banking groups in the UK.

However, it is important to recognise that CoP is not a panacea. Its implementation must not be accompanied by the presumption that if a customer is tricked by a fraudster then they must be at fault. Even under CoP there will be instances of partial matches, which fraudsters will be more than capable of taking advantage of. While CoP is an important part of efforts to combat APP fraud, other measures are also necessary. In particular, it is imperative that PSPs are tasked with providing consumers with clear guidance, information and tools to allow them to take the necessary steps to verify payee details in order to protect themselves.

In addition, the Panel recommends that consideration is given to introducing some form of additional payment confirmation to apply to companies which process large financial amounts (e.g. solicitors and regulated investment firms), as these have the potential to cause the most significant harm to consumers.

The Panel would be happy to discuss these points with the PSR.

Yours faithfully,

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HSBC Bank PLC

HSBC BANK PLC

**DRAFT SPECIFIC DIRECTION ON CONFIRMATION OF PAYEE
FOR FURTHER CONSULTATION**

RESPONSE TO CONSULTATION DATED MAY 2019

05 JUNE 2019

Introduction

Following the establishment of the HSBC Group retail bank HSBC UK Bank plc on 1 July 2018, HSBC Bank plc (HSBC) is the UK's non-ring-fenced bank within the HSBC Group. HSBC Bank plc's customers in the UK include our Global Banking and Markets clients within our wholesale and investment banking division, relevant Financial Institutions, large UK Corporate Banking customers and customers of non-UK branches of HSBC Bank plc. This includes those customers for whom we provide Indirect Access to one or more of the UK's main payment systems via our own Direct Access to these systems under a contractual arrangement.

HSBC welcomes the opportunity to respond to the Payment Systems Regulator's (PSR) further consultation on a specific direction on implementing Confirmation of Payee (CoP). A separate response has been submitted from HSBC UK Bank plc focused on a number of points relevant to the different customer groups of HSBC UK Bank plc.

Our response covers a number of general remarks on the proposed specific direction and highlights a number of outstanding elements of the industry framework and governance which are critical for delivery against the direction.

General remarks

HSBC is supportive of Confirmation of Payee (CoP) and we are committed to its delivery. As stated in the response to the PSR's consultation on a General Direction for CoP, given the need for interoperability in CoP services, we support the use of a direction. We believe a regulatory approach is necessary to drive widespread industry adoption and support a good customer experience through interoperability and a broadly common experience.

We support the revised approach proposed by the PSR. The proposed specific direction will focus on the customer groups that are most at risk of harm from Authorised Push Payment (APP) fraud and misdirected payments, namely personal and small business customers making single transaction payments. Large corporate and government customers making batch file payments are at a lower risk and whilst there may be value in providing a CoP service for these payments in the future, implementing a solution for batch payments is more complex.

The proposed approach covers the vast majority of transactions that are vulnerable to APP fraud, or risk being misdirected if the incorrect payment details are entered. We believe this approach will help avoid unintended consequences across the industry, promote market momentum and critical mass, and provide the best foundation for a positive CoP launch where the service works well for customers.

We particularly welcome the PSR's decision to provide clarity in the proposed specific direction on the following points:

- The alignment with Pay.UK's CoP rules and standards for phase one
- Limiting the application of the Direction to:

- UK accounts for both sending and receiving parties
- Unique identifiers used to identify both the sending and receiving party take the form of an account number and sort code
- Payments which are not bulk/batch file payments
- The receiving account is not a PSP collection account
- New mandates and mandates where the payer has previously initiated a payment (or payments) but each of those previously initiated payments has not happened

As one of the primary sponsor banks in the UK, we are highly supportive of the PSR's decision to provide a direction that does not capture smaller PSPs at this time. We were particularly concerned for our customers in this regard, where they may not have 24/7 systems and would require significant and costly IT upgrades to implement CoP in a short timescale. The PSR's proposed approach will allow smaller PSPs to implement CoP voluntarily. We believe it is also right that the PSR should monitor whether fraudsters target institutions not captured by the direction.

As stated in our previous response, HSBC regards CoP as an effective way to minimise the volume of misdirected payments. If delivered properly, CoP should increase customer confidence in the payment eco-system as they gain reassurance that they are paying the intended recipient. Whilst we believe CoP will be a useful component in the overall tool-kit to reduce some types of APP Scams (such as invoice fraud), we expect scammers to attempt to subvert CoP by persuading the payer that there is a good reason for any difference in the name the scammer is using. It will be important to track such fraudulent payments, to understand whether CoP continues to deliver the intended benefits.

We also welcome the revised timeframe proposed by the PSR for the specific direction. As we set out below, achieving full adherence to the proposed direction within the timeframe will not be without challenge for HSBC given the complexity of our business and channels. However, we recognise that it is a reasonable timeframe to set the industry, consider it broadly achievable and welcome the longer time period compared with the previous proposed direction which will also assist coordination around other regulatory change. Importantly, the proposed direction does not preclude institutions enabling inbound or outbound capabilities earlier than the deadlines provided.

As stated in our previous response, we want to see the CoP service deployed in a way that provides good outcomes for customers from launch and is viewed positively by customers. To achieve this, customer disruption and friction in the payments eco-system must be avoided, as well as ensuring customers understand and embrace the change. To this end, we are working with Pay.UK, UK Finance and the wider industry to initiate a well-coordinated industry programme for launching the service, including how we can work together to prepare customers and ensure there is a robust coordinated testing programme.

More broadly, we would welcome the PSR's coordination of payments regulatory change requirements between the CMA, FCA and PSR to support the delivery of effective and well sequenced change to minimise customer friction and disruption.

Nonetheless, we continue to believe that there are a number of outstanding elements of the industry framework and governance for delivering CoP, and ensuring that it is appropriately governed and funded. The resolution of these issues are key to achieving the successful industry implementation of CoP within the timeframe of the proposed order, and we therefore continue to support and press Pay.UK and the Open Banking Implementation Entity (OBIE) to address these.

Our response below is structured around the following:

- Comments on the proposed specific direction
- HSBC programme to implement CoP within the timeframe of the proposed specific direction, including our risks and mitigations
- Wider considerations and challenges to implementing CoP within the timeframe of the proposed direction.

Comments on the Proposed Specific Direction

In broad terms, we support the proposed specific direction. However, we have a number of specific comments to raise:

1. The consultation document is clear that the order relates to 'phase one' of the Pay.UK CoP programme and that the order is limited to the scope of the phase one documentation. Importantly, there are both mandatory elements to the Pay.UK phase one programme and best practice elements. We suggest the PSR provide reference to Pay.UK's 'phase one' and its documentation in the direction itself to avoid any ambiguity, and confirm that it is the mandatory elements of Pay.UK's phase one programme that is within the scope of the direction.
2. We believe there would be value in providing clarity that indirect participants are not captured by the direction, given that a number of the PSPs currently in scope of the proposed order provide indirect access to Faster Payments and CHAPS.
3. Where a PSP channel does not currently offer the functionality for a customer to make a payment by Faster Payments or CHAPS, or set up a payment mandate, our assumption is that the order does not apply to that channel. It would be helpful for the PSR direction to be explicit on this point.
4. The proposed specific direction is clear that it should apply to all payment channels and we support the rationale for this decision to minimise the risk that fraud may migrate to other channels if it is limited to online and digital channels. However, we believe that

such breadth presents a number of pragmatic challenges to delivery, which are not the intention of the PSR nor relevant to the PSR's objective to reduce APP Fraud and minimise the risk of misdirected payments. For example, we suggest unattended payment channels are excluded, used for wholesale money market transactions, including host-to-host, bank-to-bank and continuous linked settlement payments. Many of these payments will not be captured because they are batch payments, but specificity on this within the order is necessary.

5. The proposed direction states that a CoP request must be sent for applicable transactions when:
- it is the first time the payer has initiated a payment to be sent from the sending account to the receiving account, or
 - the payer has previously initiated a payment from the sending account to the receiving account, but no payment actually occurred.

We understand and support the rationale for this specification within the direction, which is to exclude existing payees given the lower risk that a payment is incorrect or fraudulent and that payers will have not asked for the payee name when setting up the beneficiary. However, we believe more clarity is required on the second part of the description. In our CoP solution, the CoP check will happen when the beneficiary / payee is set up by the payer or when the beneficiary details are changed. For retail payments within our Group, it is not possible for customers to set up a beneficiary without making a payment.

However, for commercial payments, customers will have staff setting up and checking payments before authorisation and payment is made by a separate member of staff. This element of the proposed direction does not align with how we believe customers will expect the process to work and may introduce considerable friction to business processes for making payments.

6. We can confirm that as per the proposed direction, we will prepare a written report on how HSBC will implement a CoP process in accordance with the requirements of the direction, including the key milestones in each month to implement CoP and the key risks and mitigations in place. We will submit this report to the PSR ahead of Sunday 29 September 2019 as proposed in the specific direction; and every two months thereafter unless the PSR stipulates a different reporting requirement.

HSBC Programme

In terms of our own programme for implementing CoP, HSBC is committed to delivering CoP and we mobilised a major programme to this end, across the HSBC Group in 2018. In practical terms, delivery is a large scale operational and technical change. Like some other large PSPs, our size and complexity means delivery will not be achieved from a single solution as we need to implement across multiple brands, channels and across different customer products and groups. This involves major systems change. We are also planning for a considerable

operational and communication challenge to train our frontline colleagues to deal with the large number of customer queries that can be expected after launch.

[Confidential text]

Wider considerations and challenges to implementing CoP within the timeframe of the proposed direction

Putting our own programme implementation and risks to one side, we also note a number of wider considerations, dependencies and risks to achieving the timeframe in the proposed direction. Principally these relate to the requirement for industry collaboration and testing support as well as certainty on a number of outstanding legal points.

With the support of UK Finance, the industry has approached Pay.UK requesting greater cross-industry coordination on the implementation of CoP with the purpose of testing the service well, sharing learning, preparing customers collectively and ensuring individual PSPs are aware of each other's roll out plans, to support preparations for increased API calls as PSPs go-live with their sending capability.

Our view is that this coordination is essential to ensure the service lands well for customers and to overcome the challenges of implementing a major technical implementation programme with industry interoperability requirements. Currently we do not have visibility on other participants' readiness, an ability to coordinate testing centrally, and there are no combined industry deliverables to support a smooth delivery.

A number of key legal issues are also outstanding. Progress has been made on the contractual model that will be pursued with OBIE, however individual participants will not be able to progress contracts with OBIE until Pay.UK and OBIE have entered into a separate contract, which will take time; and there is still no timeline for when OBIE may issue T&Cs to participants.

We understand that a Memorandum of Understanding may be achieved shortly, with the aim to provide a degree of certainty for the industry. However, at this stage there is no clear timeline or road map to ensure that the roles and responsibilities between Pay.UK and OBIE are fully understood and areas of overlap and potential duplication are resolved. Participants do not currently have any proposed terms from OBIE. Areas around service delivery such as change management, registration, liability and operational agreements remain outstanding. It is understood that OBIE may be contemplating an interim solution for terms and conditions to accommodate the CMA9 meeting PSR deadlines for CoP, but this information has been provided verbally to date and the specifics remain unclear.

These risks and challenges are heightened because the constitution and governance of the OBIE (constituted and funded under the CMA Order, overseen by a Trustee who has a mandate with the CMA9 institutions and to prioritise the needs of the CMA Order ahead of

any other activity). Identifying a funding model for institutions outside the CMA9 who want to offer CoP but may not want to enter into Open Banking service is also key. The aim must be to achieve a service operation from launch that provides legal certainty and does not create service resilience challenges or barriers to non-CMA9 institutions joining COP.

OBIE have flagged these issues and also indicated that funding will be a major issue to resolve. It is progress that these points have now been accepted as issues which need to be resolved, but progress is required quickly.

These factors do not impact on our ability to progress our technical solutions and prepare for delivery, however, it is essential to build cross industry testing into our programme and ensure there is time to take on board the learning from that testing. It is also critical that we have visibility on when other large PSPs will go live so we are prepared to scale our capability in a sequenced fashion, and ready for participants that may go sooner than the direction proposes. Legal certainty and clarity is essential before we can go live to protect HSBC and our customers from potential risks and to inform the delivery approach of our CoP solutions.

We continue to press for urgency in Pay.UK's work on these aspects of industry collaboration. We are proactively supporting a new Implementation Steering Group and, along with wider industry, agreed additional funding for implementation and testing coordination. Nonetheless, we remain concerned about the pace of progress on these critical areas of dependency on industry coordination.

Notwithstanding the longer timeframe for the specific direction proposed, an important context to the timeframe for implementation continues to be the unprecedented volume of changes customers will see to their payment journeys in 2019. This includes change resulting from the APP Scam Contingent Reimbursement Model Code, PSD2, regulatory technical standards, secure customer authentication and common and secure open standards of communication. We remain conscious of the volume of change within the payments ecosystem in 2019-20 and will consider this context in both our coordination of changes to simplify the customer experience and guard against customer change fatigue and customer friction and in our internal imperative to maintain operational stability and resilience.

For this reason, industry coordination on customer education regarding the implementation is also key. Such communications will need to be led by individual PSPs. However, to ensure maximum impact, communications will need to be underpinned by a degree of industry collaboration and coordination, to provide a common message and help customers understand the change, whilst allowing the ability to tailor direct communications in tone and language. The benefits of such communications have been shown on many previous industry led change initiatives. We are aware of increasing customer focus on the use and sharing of their data and this initiative, with mandatory data sharing, will prompt questions from customers. UK Finance have agreed to progress coordinated industry communications and a working group is being established.

HSBC UK Bank PLC

HSBC UK BANK PLC

**DRAFT SPECIFIC DIRECTION ON CONFIRMATION OF PAYEE
FOR FURTHER CONSULTATION**

RESPONSE TO CONSULTATION DATED MAY 2019

05 JUNE 2019

Introduction

HSBC UK Bank plc (HSBC UK) is the ring-fenced UK retail bank within the HSBC Group, which separated and started trading on 1 July 2018. Our customers include HSBC personal and commercial customers in the UK and our retail brand, first direct which is a division of HSBC UK. The Group also includes the UK Private Bank and Marks and Spencer Financial Services Limited (trading as M&S Bank) which are separate legal entities and direct subsidiaries to HSBC UK.

HSBC UK welcomes the opportunity to respond to the Payment Systems Regulator's (PSR) further consultation on a specific direction on implementing Confirmation of Payee (CoP). A separate response has been submitted from HSBC Bank plc focused on a number of points relevant to the different customer groups of HSBC Bank plc.

Our response covers a number of general remarks on the proposed specific direction and highlights a number of outstanding elements of the industry framework and governance which are critical for delivery against the direction.

General remarks

HSBC UK is supportive of Confirmation of Payee (CoP) and we are committed to its delivery. As stated in the response to the PSR's consultation on a General Direction for CoP, given the need for interoperability in CoP services, we support the use of a direction. We believe a regulatory approach is necessary to drive widespread industry adoption and support a good customer experience through interoperability and a broadly common experience.

We support the revised approach proposed by the PSR. The proposed specific direction will focus on the customer groups that are most at risk of harm from Authorised Push Payment (APP) fraud and misdirected payments, namely personal and small business customers making single transaction payments. Large corporate and government customers making batch file payments are at a lower risk and whilst there may be value in providing a CoP service for these payments in the future, implementing a solution for batch payments is more complex.

The proposed approach covers the vast majority of transactions that are vulnerable to APP fraud, or risk being misdirected if the incorrect payment details are entered. We believe this approach will help avoid unintended consequences across the industry, promote market momentum and critical mass, and provide the best foundation for a positive CoP launch where the service works well for customers.

We particularly welcome the PSR's decision to provide clarity in the proposed specific direction on the following points:

- The alignment with Pay.UK's CoP rules and standards for phase one
- Limiting the application of the Direction to:

- UK accounts for both sending and receiving parties
- Unique identifiers used to identify both the sending and receiving party take the form of an account number and sort code
- Payments which are not bulk/batch file payments
- The receiving account is not a PSP collection account
- New mandates and mandates where the payer has previously initiated a payment (or payments) but each of those previously initiated payments has not happened.

As stated in our previous response, HSBC UK regards CoP as an effective way to minimise the volume of misdirected payments. If delivered properly, CoP should increase customer confidence in the payment eco-system as they gain reassurance that they are paying the intended recipient. Whilst we believe CoP will be a useful component in the overall tool-kit to reduce some types of APP Scams (such as invoice fraud), we expect scammers to attempt to subvert CoP by persuading the payer that there is a good reason for any difference in the name the scammer is using. It will be important to track such fraudulent payments, to understand whether CoP continues to deliver the intended benefits.

We also welcome the revised timeframe proposed by the PSR for the specific direction. As we set out below, achieving full adherence to the proposed direction within the timeframe will not be without challenge for HSBC UK given the complexity of our business and channels. However, we recognise that it is a reasonable timeframe to set the industry, consider it broadly achievable and welcome the longer time period compared with the previous proposed direction, which will also assist coordination around other regulatory change. Importantly, the proposed direction does not preclude institutions enabling inbound or outbound capabilities earlier than the deadlines provided.

As stated in our previous response, we want to see the CoP service deployed in a way that provides good outcomes for customers from launch and is viewed positively by customers. To achieve this, customer disruption and friction in the payments eco-system must be avoided, as well as ensuring customers understand and embrace the change. To this end, we are working with Pay.UK, UK Finance and the wider industry to initiate a well-coordinated industry programme for launching the service, including how we can work together to prepare customers and ensure there is a robust coordinated testing programme.

More broadly, we would welcome the PSR's coordination of payments regulatory change requirements between the CMA, FCA and PSR to support the delivery of effective and well sequenced change to minimise customer friction and disruption.

Nonetheless, we continue to believe that there are a number of outstanding elements of the industry framework and governance for delivering CoP, and ensuring that it is appropriately governed and funded. The resolution of these issues are key to achieving the successful industry implementation of CoP within the timeframe of the proposed order, and we

therefore continue to support and press Pay.UK and the Open Banking Implementation Entity (OBIE) to address these.

Our response below is structured around the following:

- Comments on the proposed specific direction, including our understanding that HSBC Private Bank and M&S Bank are not included within the scope of the order
- HSBC UK programme to implement CoP within the timeframe of the proposed specific direction, including our risks and mitigations
- Wider considerations and challenges to implementing CoP within the timeframe of the proposed direction

Comments on the Proposed Specific Direction

In broad terms, we support the proposed specific direction. However, we have a number of specific comments to raise:

1. The consultation document is clear that the order relates to 'phase one' of the Pay.UK CoP programme and that the order is limited to the scope of the phase one documentation. Importantly, there are both mandatory elements to the Pay.UK phase one programme and best practice elements. We suggest the PSR provide reference to Pay.UK's 'phase one' and its documentation in the direction itself to avoid any ambiguity, and confirm that it is the mandatory elements of Pay.UK's phase one programme that is within the scope of the direction.
2. We believe there would be value in providing clarity that indirect participants are not captured by the direction, given that a number of the PSPs captured by the order provide indirect access to Faster Payments and CHAPS.
3. We suggest that the PSR is explicit on any brands within those groups named that are intended to be captured by the order. **[Confidential text]**
4. Where a PSP channel does not currently offer the functionality for a customer to make a payment by Faster Payments or CHAPS, or set up a payment mandate, our assumption is that the order does not apply to that channel. It would be helpful for the PSR direction to be explicit on this point.
5. The proposed direction states that a CoP request must be sent for applicable transactions when:
 - it is the first time the payer has initiated a payment to be sent from the sending account to the receiving account, or
 - the payer has previously initiated a payment from the sending account to the receiving account, but no payment actually occurred.

We understand and support the rationale for this specification within the direction, which is to exclude existing payees given the lower risk that a payment is incorrect or fraudulent and that payers will have not asked for the payee name when setting up the beneficiary.

However, we believe more clarity is required on the second part of the description. In our CoP solution, the CoP check will happen when the beneficiary / payee is set up by the payer or when the beneficiary details are changed. For retail payments within our Group, it is not possible for customers to set up a beneficiary without making a payment. However, for commercial payments, customers may have staff setting up and checking payments before authorisation and payment is made by a separate member of staff. This element of the proposed direction does not align with how we believe customers will expect the process to work and may introduce considerable friction to business processes for making payments.

6. We can confirm that as per the proposed direction, we will prepare a written report on how HSBC UK will implement a CoP process in accordance with the requirements of the direction, including the key milestones in each month to implement CoP and the key risks and mitigations in place. We will submit this report to the PSR ahead of Sunday 29 September 2019 as proposed in the specific direction; and every two months thereafter unless the PSR stipulates a different reporting requirement.

HSBC UK Programme

In terms of our own programme for implementing CoP, HSBC UK is committed to delivering CoP and we mobilised a major programme to this end, across the HSBC Group in 2018. In practical terms, delivery is a large scale operational and technical change. Like some other large PSPs, our size and complexity means delivery will not be achieved from a single solution as we need to implement across multiple brands, channels and across different customer products and groups. This involves major systems change. We are also planning for a considerable operational and communication challenge to train branch, frontline and contact centre staff to deal with the large number of customer queries that can be expected after launch.

[Confidential text]

Wider considerations and challenges to implementing CoP within the timeframe of the proposed direction

Putting our own programme implementation and risks to one side, we also note a number of wider considerations, dependencies and risks to achieving the timeframe in the proposed direction. Principally these relate to the requirement for industry collaboration and testing support as well as certainty on a number of outstanding legal points.

With the support of UK Finance, the industry has approached Pay.UK requesting greater cross-industry coordination on the implementation of CoP with the purpose of testing the

service well, sharing learning, preparing customers collectively and ensuring individual PSPs are aware of each other's roll out plans, to support preparations for increased API calls as PSPs go-live with their sending capability.

Our view is that this coordination is essential to ensure the service lands well for customers and to overcome the challenges of implementing a major technical implementation programme with industry interoperability requirements. Currently we do not have visibility on other participants' readiness, an ability to coordinate testing centrally, and there are no combined industry deliverables to support a smooth delivery.

A number of key legal issues are also outstanding. Progress has been made on the contractual model that will be pursued with OBIE, however individual participants will not be able to progress contracts with OBIE until Pay.UK and OBIE have entered into a separate contract, which will take time; and there is still no timeline for when OBIE may issue T&Cs to participants.

We understand that a Memorandum of Understanding may be achieved shortly, with the aim to provide a degree of certainty for the industry. However, at this stage there is no clear timeline or road map to ensure that the roles and responsibilities between Pay.UK and OBIE are fully understood and areas of overlap and potential duplication are resolved. Participants do not currently have any proposed terms from OBIE. Areas around service delivery such as change management, registration, liability and operational agreements remain outstanding. It is understood that OBIE may be contemplating an interim solution for terms and conditions to accommodate the CMA9 meeting PSR deadlines for CoP, but this information has been provided verbally to date and the specifics remain unclear.

These risks and challenges are heightened because the constitution and governance of the OBIE (constituted and funded under the CMA Order, overseen by a Trustee who has a mandate with the CMA9 institutions and to prioritise the needs of the CMA Order ahead of any other activity). Identifying a funding model for institutions outside the CMA9 who want to offer CoP but may not want to enter into Open Banking service is also key. The aim must be to achieve a service operation from launch that provides legal certainty and does not create service resilience challenges or barriers to non-CMA9 institutions joining COP.

OBIE have flagged these issues and also indicated that funding will be a major issue to resolve. It is progress that these points have now been accepted as issues which need to be resolved, but progress is required quickly.

These factors do not impact on our ability to progress our technical solutions and prepare for delivery, however, it is essential to build cross industry testing into our programme and ensure there is time to take on board the learning from that testing. It is also critical that we have visibility on when other large PSPs will go live so we are prepared to scale our capability in a sequenced fashion, and ready for participants that may go sooner than the direction

proposes. Legal certainty and clarity is essential before we can go live to protect HSBC and our customers from potential risks and to inform the delivery approach of our CoP solutions.

We continue to press for urgency in Pay.UK's work on these aspects of industry collaboration. We are proactively supporting a new Implementation Steering Group and, along with wider industry, agreed additional funding for implementation and testing coordination. Nonetheless, we remain concerned about the pace of progress on these critical areas of dependency on industry coordination.

Notwithstanding the longer timeframe for the specific direction proposed, an important context to the timeframe for implementation continues to be the unprecedented volume of changes customers will see to their payment journeys in 2019. This includes change resulting from the APP Scam Contingent Reimbursement Model Code, PSD2, regulatory technical standards, secure customer authentication and common and secure open standards of communication. We remain conscious of the volume of change within the payments ecosystem in 2019-20 and will consider this context in both our coordination of changes to simplify the customer experience and guard against customer change fatigue and customer friction and in our internal imperative to maintain operational stability and resilience.

For this reason, industry coordination on customer education regarding the implementation is also key. Such communications will need to be led by individual PSPs. However, to ensure maximum impact, communications will need to be underpinned by a degree of industry collaboration and coordination, to provide a common message and help customers understand the change, whilst allowing the ability to tailor direct communications in tone and language. The benefits of such communications have been shown on many previous industry led change initiatives. We are aware of increasing customer focus on the use and sharing of their data and this initiative, with mandatory data sharing, will prompt questions from customers. UK Finance have agreed to progress coordinated industry communications and a working group is being established.

-oOo-

Lloyds Banking Group PLC

LLOYDS BANKING GROUP PLC

**Response to PSR Consultation on specific directions
for the implementation of Confirmation of Payee**

Submission Date 05/06/2019

Response to Consultation Questions

1. **DO YOU HAVE ANY COMMENTS ON OUR PROPOSED DIRECTION AS SET OUT IN ANNEX 1?**

Lloyds Banking Group (LBG) welcomes the PSR's follow-up consultation on general directions to implement Confirmation of Payee (CoP). We recognise that the PSR has engaged with the industry and other stakeholders to strike a pragmatic balance between implementing CoP quickly, and ensuring adequate time to develop and implement a high-quality service for the benefit of customers. LBG thanks the PSR for its efforts.

LBG supports the proposed implementation dates of 31 December 2019 and 31 March 2020 for the six identified UK banking groups. We also support focusing the directions on phase one of Pay.UK's blueprint for CoP. We stand by our comments in our previous response that CoP will not be a silver bullet in preventing authorised push payment fraud and payments made in error, and we consider the quantified benefits are likely to have been overstated. However, we also recognise that CoP is a key service that will give our customers much needed greater certainty that they are paying the right beneficiary. Our focus is now rightly on delivering this service.

LBG is keen to comply with both the letter and spirit of the directions. We note though that the proposed directions as drafted have a broad scope in relation to channels and customer groups. In some respects, we consider the scope is too broad. We have focused our CoP implementation on the types of payments, channels and customer groups that we consider are likely to benefit the most from an effective CoP service – those that relate to retail consumers and small businesses. For LBG's purposes, a small business is one that has a turnover of up to £3 million.

With our concerns about scope in mind, complying with the directions in their entirety is likely to result in costs and a resource commitment that is disproportionate to the benefits. Below, we have outlined how we plan to comply, and set out areas where we believe further consideration is required ahead of the PSR finalising the wording of the directions. To assist the PSR, we have sought to explain why some areas are proving challenging, although some aspects of our analysis is ongoing. We are of course open to engaging bilaterally with the PSR in relation to any of the areas outlined below.

Receiving and responding to CoP requests by 31 December 2019

LBG is on track to meet the proposed deadline for all payments in scope of the direction, subject to third party supplier dependencies. We plan to begin our go-live in good time ahead of the deadline, incorporating industry testing. This should ensure we are in a good position to meet the deadline and minimises the impact of the December holiday period and the associated systems change freeze.

We are mindful that CoP has a strong network element and it is incumbent on all applicable payment services providers (PSPs) to provide high quality data and name matching to customers of other PSPs. We are aiming improve our matching rates via an incremental test and learn approach, which will benefit all UK banking customers in scope.

Sending CoP requests by 31 March 2020

Subject to managing key risks and dependencies, LBG is on track to meet the proposed deadline for all retail and small business payments in scope of the direction when a new

beneficiary is added. That is, payments via internet banking, our mobile app, branch and our telephone banking service. We are also on track to meet the proposed deadline for some payments from accounts held by our larger corporate customers, with exceptions set out below. We intend to share our more detailed implementation plan with the PSR in July, ahead of the first proposed mandatory update in September.

LBG believes that finalising the Pay.UK CoP guidelines is key to ensuring a high quality service that is delivered on time. In addition, LBG welcomes the industry testing that has been organised by Pay.UK. However, we caution that, in addition to technical testing, consideration needs to be given to data quality and improving name matching rates, as noted above. This is vital in ensuring the industry delivers a service that is helpful to customers, does not add unnecessary friction to the payments journey and inspires confidence. To that end, we suggest that the PSR monitors matching rates across the mandated PSP population in the run up to the deadlines.

Below, we have outlined the areas where we believe further consideration is required.

Corporate legacy accounts

LBG has around 2000 corporate accounts sitting on commercial platforms that are no longer subject to infrastructure investment. We are in the process of migrating these across to updated systems, with a rolling plan that goes into 2021. By the end of 2019 we expect approximately 1200 accounts to remain. Migration began in 2014, and generally the accounts that are still on our legacy systems are the most complex and belong to our larger corporate and financial institutions customers.

These customers are often regulated entities in their own right, and have established control frameworks in place to minimise the risk of paying the wrong beneficiary. In this respect, they are generally better placed to protect themselves than retail consumers and small businesses. With that in mind, we consider that the costs and efforts in investing in CoP capability for these legacy systems would be greatly disproportionate to the benefits.

Unattended payments

These are payments that are directly communicated in an unattended manner from machine to machine. Examples include where corporate customers make CHAPS and FPS payments by submitting instructions, such as via SWIFT messages, and also documentary credit collections and trade finance instruments. We understand these types of payments are not unique to LBG. Enabling a CoP check in these circumstances would be impractical, given that a CoP check requires the payer to make a decision whether to proceed with a payment in the light of the outcome of the CoP result.

As above, we note that customers that use such services invariably have their own established control frameworks. In addition, feedback from our corporate customers suggests that implementing a CoP check in these circumstances could be time consuming and increase their processing costs. In the light of this, we suggest that the PSR excludes unattended payments from the scope of the directions, or that agreement is reached that Pay.UK will expressly exclude them from its CoP phase one blueprint.

Corporate account services

Corporate account services include confidential invoice discounting, complex accounts held on behalf of clients, and accounts which are subject to third party indemnities – allowing receipts in a variety of names. There are inherent complexities in these specialist scenarios, which are likely to require a pragmatic and iterative approach. Implementing CoP for these

services by a hard deadline is unlikely to be practical, given the disproportionate resource focus that would be required and the opportunity cost of that.

Bulk payments

LBG supports the PSR's proposal to exempt bulk payments from the scope of the directions. However, we note that some types – that is, those received in bulk from customers and then sent on as individual payments – appear to be in scope of Pay.UK's CoP phase one blueprint. We would welcome the PSR's clarification that these payments are out of scope of the directions.

Previously added beneficiaries where no payment has occurred

LBG recognises the drivers for the PSR making provision for this scenario in the draft directions. However, we are not persuaded that this can be implemented in a practical, proportionate way or that it is necessary.

Firstly, we note there is no overt provision for this scenario in the Pay.UK guidelines, and therefore we had not taken account of it in our implementation planning. Adding it to our plan at this stage will incur significant additional investment and divert resource from other aspects of the programme, at a time where we are balancing multiple regulatory programmes including secure customer authentication.

Secondly, the analysis we have carried out indicates that the scenario this element of the proposed directions is intended to address is not an obvious material concern. Having reviewed the payments our retail consumers initiate via digital channels, we found that, in the month of January 2019, 93% of new beneficiaries set up were sent a payment immediately, and an additional 5% were sent a payment within ten days. Whilst this is not conclusive, we note that beneficiaries added by retail consumers via digital channels comprise the majority of total beneficiaries added by retail consumers.

We also note that identifying beneficiaries that have been set up historically without a payment having occurred are challenging to identify. Whilst we have identified some instances, such as those just described, there are limits to how far in the past we can identify them. Without identification, we cannot make provision for a CoP check.

If the PSR is still persuaded that this scenario warrants special consideration, then we suggest thought is given to effective customer messaging instead of a technical solution. That is, whether customers should be encouraged to remove and re-add beneficiaries that they do not recall having paid previously. Alternatively, the PSR could monitor this issue when the CoP service is embedded, and then consider whether any action is needed.

Concluding remarks

LBG has sought to explain how we intend to comply with the proposed directions and also outlined key areas of concern. We are committed to delivering a high quality service for our customers (and those of other PSPs) at a proportionate outlay. We stand willing to assist the PSR with its considerations and analysis as it moves towards issuing finalised directions.

Looking further ahead, we recognise that the PSR will wish to continue to monitor CoP implementation. Should the PSR consider mandating further elements, for example Pay.UK's phase two blueprint, we ask that it maintains its industry engagement to ensure that the practicalities and any unintended consequences are identified at an early stage. This will help to ensure that resources are targeted in the areas that will ultimately provide the most customer benefit.

Monzo Bank

From: [REDACTED]
To: [cop.consultation](#)
Cc: [REDACTED]
Subject: Re: CP19/4 - Confirmation of Payee - Response to the first consultation and draft specific direction for further consultation
Date: 26 July 2019 11:13:27

[REDACTED]

Please see our non-confidential version below:

1.
We were disappointed when it was announced earlier this year that the deadlines for CoP had been pushed back, as we have progressed a long way with this project and would have been ready for the initial set of deadlines. We believe CoP is one of the biggest weapons the banking industry has at its disposal to deal with APP fraud. Delays to its implementation undoubtedly affects the industry' ability to tackle this criminal activity.
2.
CoP was one of the cornerstones of the Contingent Reimbursement Model Code, which is now live. The fact CoP is also not live impacts the effectiveness of the code.
3.
We are pleased that new deadlines have been set and would urge Pay.UK to ensure these are not postponed any further. Delays to implementation will result in more victims losing more money, and criminals continuing to profit from APP fraud activity.
4.
We recognise that the draft specific guidance has been aimed at certain institutions to ensure they are ready for CoP but would urge Pay.UK to ensure that *all* banks are able to respond to CoP requests from 31st December. The effectiveness of CoP relies on its widespread implementation so attention should not be taken off those banks which aren't included in the specific directive.
5.
We note in the document that current CoP documentation is only available for phase one. It only covers PSPs that operate accounts with their own unique addressable sort code. Many smaller PSPs operate accounts that are in phase two of Pay.UK's CoP design roll-out. The phase two documentation is not available and the release date has not yet been settled. We are concerned that no timeline or documentation has been provided for Phase Two. Given the propensity for mules to utilise prepaid accounts which don't have their own addressable sort codes, it feels like quite a big gap in the effectiveness of CoP if a lot of accounts which typically receive fraudulent funds won't be covered by CoP.
6.
We would very much like Pay.UK to finalise the specification so we can lock in place "Phase One". We are encouraged that Pay.UK have publicly stated there

are no plans to make any substantial changes from now on and very much hope this is the case. It is not clear whether Pay.UK are still considering dropping having to specify the account type in the CoP request, or whether the change from BIC to sort code for mapping to the well-known endpoint is final. We hope that the final decisions on those can be announced soon.

7.

We are quite disappointed by the lack of examples for the different name matching results in the specification, especially for edge case scenarios such as mononyms or names which have more than two components. We hope that PAY.UK can provide a list of test cases which all banks can use for testing their conformance to the specification soon.

8.

We recognise that Pay.UK is yet to complete all the CoP documentation (2.17). It is currently drafting the terms and conditions for participation, and the CoP pricing schedule and related Direct Debit instructions. We would like clarification on how the pricing schedule will be decided - these discussions should *not* solely take place between the directed banks and Pay.UK. Pay.UK should ensure that all financial institutions are able to provide feedback on the pricing schedule as it could be highly disadvantageous if only the big six banks are consulted on this.

Kind regards

[Redacted]

[Redacted]

Monzo Bank

Nationwide Building Society

Payment Systems Regulator Confirmation of Payee (CoP) draft specific direction consultation (CP19/4): Nationwide Building Society response.

Question: Do you have any comments on our proposed direction as set out in Annex 1?

Pay.UK Design and Documentation

The PSR recognises that Pay.UK is yet to complete all CoP documentation, but has concluded via a data request that the current documentation is stable enough for PSPs to plan and build for Phase One. Nationwide agree that sufficient material has been provided to enable technical development of CoP, and the outstanding terms & conditions and pricing schedule are not materially important for this work.

Please see our comments below in response to the testing and implementation timing, concerning other vital Pay.UK support required.

Scope

We agree that the PSR's decision to direct the PSPs within the UK's six largest banking groups is likely the most practical means of providing widespread coverage of CoP as early as possible. PSPs that fall outside of the specific direction will face significant incentives to implement CoP, such as providing their customers with equivalent levels of fraud protection, reducing inconsistencies in experience for those who hold accounts with multiple providers, combatting the potential migration of fraudulent activity from the directed PSPs, and not least addressing the shift in liability for losses associated with the Contingent Reimbursement Model (CRM). We would highlight though, that non-directed PSPs may face difficulties in prioritising the implementation of CoP without mandatory regulation. Given the level of development required for existing mandatory items such as Strong Customer Authentication and Open Banking, time and resources are in high demand.

Accidentally misdirected payments are not limited to those of the directed PSPs. Therefore, to maximise customer confidence and PSP investment in CoP, we would ask the PSR to elaborate on its plans for the monitoring of CoP's introduction and effectiveness as it relates to the omission of non-directed PSPs and their influence on the service's performance. We make further comment on the receiving side of APP scams in our response to alternatives below.

Once again, we agree that the PSR's rationale in determining the scope of the direction is understandable and Nationwide looks forward to supporting the industry with CoP's continuing development.

Payment Types

We support giving directions for both Faster Payments (FP) and CHAPS, asserting this in our previous response to the PSR. The former payment type represents the significant majority of volumes of misdirected payments/Authorised Push Payment (APP) scams, and the latter the highest potential value of individual transactions. APP scams are suffered via both payment types, and directing just one would risk the migration of scams to the other.

It is worth noting that the direction does not explicitly distinguish the variations within these payment services where there can be varying degrees of relevance for CoP. For example, internal transfers on a 'me to me' or 'me to you' basis.

Payment Channels

The PSR considers it most appropriate to apply the direction to all payment channels. In our last response we suggested that the choice of payment channel should be left to the payer PSP. The liability position for non-provision is clear under the CRM, and the economic and practical effectiveness of mandating all channels is not understood.

There is a risk that some payment channels may prove uneconomical and/or impractical for some PSPs to deliver CoP against, for example those with low usage or that involve exceptional manual processes, particularly where the customer is not present such as postal instructions handled in back office environments. This could therefore lead to the unintended consequence of services via these channels being withdrawn. Nationwide considers that this has the potential to disproportionately impact vulnerable customers. By mandating all channels within the direction, the PSR is removing the flexibility for PSPs to accept the residual liability under the CRM by choosing not to offer CoP in certain channels.

There are a range of factors to consider here that may influence the balance of risk between service and security. In a scenario where payments are initiated without a customer being present, or easily contactable, but the payee destination is perhaps low risk, it could be argued that prioritising straight through processing would provide the best outcome rather than adding more friction. But we appreciate the importance of giving as much control as possible and the default approach here is likely to be that responses other than a clear 'Yes' may need to revert to the customer.

Additionally, this requirement may influence non-directed PSP consideration of implementing CoP voluntarily. We would strongly advise that the PSR consider the likelihood and impact of these unintended consequences.

Payment Mandates

We agree that CoP should be used on new payment mandates or when mandate details are changed. However the directions wording (3.7-t. and below) is unclear.

3.7-t: for the purpose only of paragraph 3.3, the transaction:

- *is the first time the payer has initiated a payment to be sent from the sending account to the receiving account, or*
- *the payer has previously initiated a payment from the sending account to the receiving account, but no payment actually occurred.*

Does the PSR expect a CoP check to apply at the point the paying customer sets up a new beneficiary or at the point the payment is made, as these can happen at separate times? We believe the CoP check would take place at the point of the beneficiary is set up – which could be in advance of a payment being initiated, for example, when a paying customer creates a Future Dated Payment (FDP) mandate, the execution of that payment is subsequently unattended – would a CoP check be necessary at this point? We would advise that the wording of this element of the direction is reconsidered. It should aim to harmonise as much as possible with the spirit of the trusted beneficiary exemption within article 13 of the Regulatory Technical Standards on Strong Customer Authentication, whereby two factors of authentication remain mandatory for the creation of new or amended mandates.

The PSR's response does not specifically address our consideration of mandates switched via the CASS service. The CRM provides strong incentives for PSPs to apply CoP to payments from switched accounts, as the new Payer PSP cannot establish the history of said payments. Requiring users to CoP their existing, but switched, mandates following a CASS switch introduces friction and potentially a disincentive to using the process, so this is an area that would benefit from further consideration.

Opt-out

We asked that the PSR did not word any direction in such a way as to make it mandatory that all payees must participate in CoP. In this regard we welcome the PSR's approach here and do recognise Pay.UK's guidance in developing opt-out processes at an individual PSP level. This does however leave room for that guidance to be interpreted in different ways by different PSPs, and our previous request for defined criteria and evidentiary considerations is not addressed by the current Pay.UK guidance.

Consistent customer experience, and careful application of rules to avoid scammers opting out, are important with regards to CoP. Consider those customers who might hold accounts with multiple PSPs. When requesting to opt-out of the service there may be different outcomes across each of their providers as a result of varying criteria. Nationwide feels that consistency should be aimed for in this regard and would suggest more can be done in collaboration with Pay.UK, perhaps via iterative development of their guidance, supported by the PSR's monitoring of CoP introduction and ongoing performance.

Account Types

We agree with the decision to direct both individual and business accounts, and made the same argument as the PSR within our last response. We also acknowledged that for many larger businesses, their operating model for processing payments in bulk may not align with the 'peer to peer' nature of the CoP solution. BACS being excluded from Phase One implementation is therefore sensible considering this point.

Timeframe

The key implication for Nationwide is that we must sustain momentum in our CoP project whilst facing in to a saturated regulatory change agenda and conflicting delivery priorities, most notably including those for Strong Customer Authentication and Open Banking.

We are conscious of change embargoes that most PSPs will be subject to during the required implementation period. These will have to be factored in to scheduling to ensure the dates can be met by all.

Pay.UK and their associated Implementation and Testing Working Groups are key enablers for the effective delivery of CoP. We understand that progress on these vital functions is underway, but perhaps not quite as developed as they will need to be in order to fully support a coordinated, well tested, and effective delivery to the directed dates. It is crucial that momentum is built now. We look forward to working with both Pay.UK and UK Finance in the delivery of centralised activities.

Alternatives

We believe that the prevention of fraudulent account openings and money mule account takeovers are as vitally important to the prevention of APP scams as CoP. Equal effort should be made in furthering developments to address the receiving side of the issue.

The PSR response does not acknowledge our comments concerning a longer term solution that could be realised via the New Payments Architecture (NPA). We feel the NPA being developed by Pay.UK should include transactional security in its scope, leveraging the potential benefits of ISO 20022 messaging standards and potentially enabling name validation on the actual transactions in flight before funds are available to withdraw. Though not an alternative to CoP in the short to medium term, we view this capability as a key aspiration for the future of payments in the UK.

Benefits

As has been stated by a number of other bodies involved in the consideration of APP scams, Nationwide believe that CoP is not the 'silver bullet' that will address all the issues surrounding this activity. It must be utilised as part of a series of solutions, including mule prevention, effective user communications and ongoing industry collaboration. We commented in our previous response that the efforts of fraudsters is likely to increasingly focus on activities that avoid CoP detection, or indeed that they are likely to increase their activity in order to maintain the same level of profit. For this reason, we cannot agree with the PSR's analysis of CoPs benefits, specifically the rate of APP scam prevention of 70% in year one, and 75% thereafter.

National Westminster Bank PLC

CP 19/4

**Confirmation of Payee - consultation
on the draft specific direction**

National Westminster Bank plc response

June 2019

Executive Summary

NatWest¹ welcomes the PSR's revised approach to the implementation of Confirmation of Payee (CoP), which we agree will ensure its timely and coordinated delivery, and at the same time allow those PSPs not covered by the specific direction, the ability to introduce CoP to the same dates if wished.

Our key comments on the extent and impact of the specific direction are set out below and then covered in the relevant question.

1. Proposal that directed PSPs introduce CoP request respond capability from 31 December 2019 – the desire to see the service live in 2019 is understood. However, it is usual for PSPs to have a closed period of no technical and operational changes ahead of calendar year end as the festive period is one of high transaction activity, coupled with higher staff leave. To achieve the proposed year end CoP readiness means that we will need to fully complete technical and operational readiness testing by latest end November. This leaves now only six months to achieve this, which is a very short time to deliver what is required effectively, considering the need for a period of industry testing prior to the service going live. We are pleased that industry has made progress on how testing, implementation and communications will be coordinated, and to see that Pay.UK and UK Finance are working closely together to ensure these supporting workstreams are managed. Time remains of the essence to move testing forward to support PSP planning.
2. Our request, if the directed date remains as published, is that 'respond capability' for a directed PSP must encompass the flexibility for it to introduce this capability on a phased basis (if a later date cannot be agreed to). This may include having flexibility to prioritise those customer accounts we will initially include on our responses to CoP requests. We anticipate beginning with individuals, where names are less complex, moving through business segments, noting that there are various naming complexities, for example, companies with multiple registered trading names. Alternatively, we suggest that the receive and respond date is extended to end January 2020. We would also suggest a period of what is known as 'silent running', to allow the CoP service to be tested at live speed and volumes, but without the CoP response screens being displayed to the customer. This will give the opportunity to ensure that a consistent response is being received from all banks and that matching is at an optimal rate to provide a good customer experience prior to the 'send a request' functionality being enabled at the end of March 2020.
3. In scope payment channels - the PSR refers to the direction applying to 'all payment channels', to prevent fraud migrating across channels. We accept this but do not envisage, for example that online channel fraud would move in any substantive way to say, branches. The term 'all' covers many different channels, only some of which were envisaged as in scope for first phase implementation. For send requests, we believe it may be necessary to prioritise for initial delivery, those channels where greater numbers of malicious and accidental misdirected payments occur, with other channels put live once a stable service is in place.

¹ NatWest means National Westminster Bank plc responding for itself and its affiliates and subsidiaries. These cover The Royal Bank of Scotland plc, Coutts and Company and Ulster Bank Limited.

As a full service banking group, NatWest channels include:

- assisted face-to-face branch - mostly used by personal and some business customers, to pay bills or make CHAPS payments, where we have invested heavily in how we support customers that still need support to make payments. We anticipate this following digital payment channel enablement.
- assisted remote telephony channels - use of these channels is falling as more customers move to online/mobile payments, and here again customer interaction is high. We would also prefer to introduce this capability following digital payment channel enablement.
- unassisted mobile/online channels - these are the channels of choice for personal, business and larger commercial customers. They are also ones where most fraud currently occurs. As a multi-brand banking group, our core channels use the same technical platforms. For each, we are progressively re-platforming them and for [REDACTED]
- unassisted host-to-host channels – these are primarily used by larger corporates and indirect PSPs, and facilitate both single and bulk payments. They may use SWIFT message formats. Whilst not the same as say Bacs Direct Credit Bulk payments made using an approved provider’s Bacstel-IP connectivity, payments through these channels are set up in an organisation’s own systems and routed via our connectivity into the payment system. Any CoP check will need to be made separately and this is considered part of the phase 2 CoP activity.

4. Vendor onboarding and material outsource – [REDACTED]

5. The PSR is aware that the industry is implementing differing sets of matching engines and these are likely also to include differing interpretations of the name matching rules. We believe there would be benefit in running ‘silently’ for a period of say 8-12 weeks, between the ‘receive a request’ and ‘send a request’ dates where CoP requests are responded to by participants, but no response is provided to the customer for a decision. This would allow the various implementations to bed in, and for any excessive variances in matching and other rule interpretations to be reviewed under the implementation governance framework and so avoid any impact on customers.

[REDACTED]



Question 1 - Is giving directions under section 54 of FSBRA to PSPs requiring them to introduce CoP the right approach to securing our objectives, in particular to reduce significantly losses and harm from APP scams and accidentally misdirected payments as soon as possible? Are there other approaches that would lead to the same outcomes that we should consider, and, if so, what are they? Do you have any other comments on the issues raised above?

We recognise that directions are an approach the PSR uses to drive desired outcomes. As a FPS direct participant we had expected to be directed, and the direction reinforces internally why delivery of CoP is essential to support safer payments and our subscription to the APP Scams Code. With CHAPS payments also included in the direction, this has extended the relevance of CoP as an aid to business users of payments.

Our earlier response concluded that any direction should be proportionate in the PSPs it applied to and recognise the emerging industry proposal for a phased introduction of CoP, i.e. focussed on customers in scope of the CRM code, the digital channels via which the majority of APP scams are perpetrated, and the most impacted payment type used by consumers i.e. Faster Payments.

The proposed direction is proportionate in the PSPs selected, but broader in its approach on both customers and payment types in scope. This will require further assessment and testing, given the extension to include CHAPS payments in the first wave, and also the formal inclusion of for example, assisted payment channels such as branches.

We note too that whilst the directed PSPs represent a high percentage of transactions, numerous ASPSP participants, that might have expected to be mandated to deliver to the same timescales as the named banking groups are not in scope. These non-directed PSPs may find it more difficult to obtain resource support to implement CoP and there may be some merit in considering whether other participants may wish to be subject to the same or a follow on direction.

For participants that wish to send CoP requests before they respond, after the directed PSPs are live, this should be encouraged.

Question 2 Assuming directions in respect of FPS and CHAPS are given, are there any types of PSP that should not be given the directions? What is the basis for your view, particularly having regard to the likelihood of achieving the benefits of CoP?

As above, we believe any direction should be proportionate in the PSPs it applies to and that PSPs or their trade associations will provide evidence to the PSR, if exemptions to the

directions are to be sought. Regardless of whether directions are given, all types of PSP should ideally be able to respond to a CoP request, to ensure any customer setting up a payment has the same protection.

[REDACTED]

Question 3 - Should the same PSPs be subject to a requirement to respond to a CoP request as those that are required to send a request?

Being capable of receiving and responding to a CoP request is the most critical element of the CoP service and the most challenging aspect of technical delivery for the PSP. It is important that ASPSPs are able to do both. We remain clear however that smaller PSPs should be permitted to send requests sooner than responding, to ensure their customers are protected.

Question 4 - Do you think that we should consider giving directions in relation both to FPS and CHAPS transactions? If you believe that we should consider giving directions in relation to only one of these payment systems, or more than FPS and CHAPS, please set out why. Are there any other issues that we should consider when deciding which payment systems should be in scope?

As the APP Scams code covers both FPS and CHAPS payments, it may be appropriate for the CoP specific direction to do the same. In our view, it is more relevant for the direction to cover FPS only. We remain of the view that PSPs should be permitted delivery flexibility to focus on those payment channels where most errors and fraud occur, particularly for those where the customer takes the decision to make the payment.

Question 5 - part 1: Should the directions apply to all payment channels that an FPS or CHAPS payment can be initiated from?

As the PSR is aware, the vast majority of electronic inter-bank payments are now made digitally, by both personal and all types of business customer.

PSR refers to the direction applying to ‘all payment channels’, to prevent fraud migrating across channels. We accept this may happen, but would point out that ‘all’ covers many different channels, some of which had not been envisaged as in scope for first phase implementation, and where some flexibility on delivery timing will be required – the next section refers.

As a full service banking group, NatWest channels include:

- assisted face-to-face branch – mostly used by personal and some business customers, to pay bills or make CHAPS payments. Here, we have invested heavily in how we support customers still needing these services e.g. community protection colleagues who ensure any customer appearing under pressure to make a payment is engaged and where necessary the Banking Protocol is invoked. This has seen considerable success and we need to assess how to bring in this additional check in a way continues to engage the customer fully. We anticipate this following digital payment channel enablement, as we assess customer journey options.
- assisted remote telephony channels – use of these channels is falling as more customers move to online/mobile payments. Again there is the challenge of how best to integrate a CoP look up and response pass back when the customer is on the phone. As above, we anticipate this following digital payment channel enablement.
- unassisted mobile/online channels - these are the channels of choice for personal, business and larger commercial customers. They are also ones where most fraud currently occurs. As a multi-brand banking group, our core channels operate from the same technical platforms. [REDACTED]
- unassisted host-to-host channels – these are primarily used by larger corporates and indirect PSPs, and facilitate both single and bulk payments. They may also use SWIFT message formats. Whilst not the same as say Bacs Direct Credit Bulk payments made using an approved providers Bacstel-IP connectivity, payments through these channels are set up in the organisation’s own systems and routed via our connectivity into the payment system. Any CoP check will need to be made separately and this is considered part of Pay.UK phase 2 CoP activity. We would ask PSR to consider these, and any other related bulk channels, out of CoP phase 1 scope.

Question 5 - part 2: Should a CoP request only apply when a new payment mandate is being set up or changed?

We agree that a CoP request is a priority when a new payment mandate is being set up or an existing mandate is changed.

Whilst we do not suggest that the direction is extended, we believe it is important that PSPs should use their discretion to check customer payment mandates, where they believe this is necessary as part of their wider fraud prevention activity. This is anticipated in the CoP Rulebook and we support additional checks where a PSP thinks them appropriate. In time, a re-check on payment mandates not used for a certain period may become an integrated part of digital payment services, allowing customers to be more in control.

Question 6 - How should any directions deal with the potential for people to opt out of the CoP process?

We note the PSR’s conclusion and agree that, with the benefit of Pay.UK’s legitimate interest assessment and other guidance, we are able to develop our opt-out policy and procedures. We are considering this as part of our CoP implementation and linking it to wider activity on

customer protections. Our stance remains to ensure that we position CoP as a benefit to customers, so that opt-out is selected only in cases where the individual and their identity needs to be protected.

The need for opt out was considered necessary as the payee name will be provided to the payer in a 'close match' CoP check. We can envisage a situation where it may be possible within the CoP Rules to use only a 'match' or 'no match' response for an opted out customer, to ensure that they and those who pay them gain the same protections. We see this as a potential future change after the service is live.

Question 7 - Should any directions cover the sending of money from both individual and business accounts?

We recognise that business customers will equally benefit from being able to check a payee before making a payment, and that both they and consumers will benefit from receiving CoP responses back. We note PSR's confirmation that bulk/batch file payments are excluded until a later phase.

It is worth noting that business customer names are often complex, with a trading name being used instead of a registered company name, or for professional firms with client accounts, where the convention is to pay the client name and not that of the firm. CoP testing should allow these variants to be assessed and where time permits, communication and guidance provided to customers. We currently envisage that there may be a period when some business customer accounts may need to be opted out so as not to disrupt the receipt of payments.

Question 8 - Should the directions separate out responding to CoP requests from being able to send CoP requests? Should directions cover both sending and responding?

Having a direction to respond to CoP requests, with a set date by which a good number of PSPs are able to provide a response, will assist in achieving better service penetration. However, this pre-supposes that some PSPs are able to send, as otherwise the CoP service is not fully live.

If there was an acceptance of the need for a period of 'silent running' as we refer to earlier, it may make the case stronger to align the direction dates for 'receive' and 'send', rather than 'send' requests being later.

Question 9 - Do you agree with the deadlines for the introduction of CoP?

We note that the PSR has based the implementation deadlines on PSP feedback and we agree these dates appear ones that are capable of being met. As mentioned in our introductory points however, the end December 2019 date effectively means that directed participants that have a closed period for technical and operational changes, will need to have completed these by latest end November. [REDACTED]

Our preference would be for the receive and respond date to be extended to end January 2020, as we strongly believe this will be required to support the anticipated longer testing

period, i.e. to allow the CoP service to be tested at live speed and volumes, but without the addition of sent payments.

Implementation progress will need to be monitored carefully and provide evidence that early testing of incoming requests and responses demonstrates that directed PSPs, and other early adopting PSPs are capable of receiving and responding effectively to every CoP request. As noted earlier the complexity of certain business account types may lead to 'no match' responses or opted out customers.

The directed PSP reports, supplemented we would expect by Pay.UK input on its supporting activity, will allow the PSR to build up a picture of whether there will be full cover across all customers and all payment channels by the date stipulated.

Question 10 - Are there any alternative approaches that we should consider instead of giving directions to PSPs as set out in this document?

No comment

Question: Do you have any comments on our proposed direction as set out in Annex 1?

We have the following specific comments:

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

- 4. Noting that bulk payments are excluded, it would be helpful for equivalent channels where the payment set up is completely separate from payment submission to be excluded. We gave the example of host-to-host corporate connectivity, but FPS Direct Corporate Access is another example.
- 5. Reporting – if the PSR decides that it needs a first report to be submitted prior to 29th September, we would appreciate an early indication of this to ensure sufficient time to provide the information sought.

Question 11 - Is our assessment of the benefits the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.

We note the changes to the Net Present Value assumptions and agree that the financial benefit assumptions appear reasonable. It will be important to monitor outcome and assess the contribution played by CoP in mitigating APP scam and accidental misdirected payment losses.

Question 12 - Is our assessment of the costs the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.

We note the costs and have no comments to add, other than it may be useful to monitor actual costs to understand the costs of delivery to participants.

Question 13 - Is our assessment of the trade-off between costs and benefits the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.

We have no comment

Question 14 - What is your view on the impact of the proposed dates in our approach to the trade-off between costs and benefits?

Do you consider that imposing December and March deadlines impact either the costs or benefits of implementing CoP relative to a later implementation date – for example, later in 2020?

We have no comment and note that this question was not updated in the consultation.

Question 15 - Do you have any comments on our assessment of the impacts of the directions we are considering on protected groups or vulnerable consumers?

Do you have any evidence that will assist the PSR in considering equality issues, and in particular complying with its public equality duty, in deciding whether to give directions and considering alternatives?

We agree that the proposed direction will not of itself have an impact on protected groups or vulnerable customers and that guidance on opt out and firms own policies to manage vulnerability should ensure any impacts are mitigated.

----- end of response -----

Nottingham Building Society

Question	Society Answer
<p>Question 1: Is giving directions under section 54 of FSBRA to PSPs requiring them to introduce CoP the right approach to securing our objectives, in particular to reduce significantly losses and harm from APP scams and accidentally misdirected payments as soon as possible? Are there other approaches that would lead to the same outcomes that we should consider, and, if so, what are they? Do you have any other comments on the issues raised above?</p>	<p>Any aims to reduce the negative consequences are welcomed but we don't believe COP will stop a significant amount of fraud other than APP fraud. We believe that before these directions are given, proven stats should be sought and maybe have a trial period so see how much fraud losses this actually saves.</p>
<p>Question 2: Assuming directions in respect of FPS and CHAPS are given, are there any types of PSP that should not be given the directions? What is the basis for your view, particularly having regard to the likelihood of achieving the benefits of CoP?</p>	<p>All PSP's should receive some direction, however smaller organisations should have the option to opt in on a risk basis.</p>
<p>Question 3: Should the same PSPs be subject to a requirement to respond to a CoP request as those that are required to send a request?</p>	<p>We would not see a problem with the same PSPs being subject to a requirement to respond to a COP request as those that are required to send a request.</p>
<p>Question 4: Do you think that we should consider giving directions in relation both to FPS and CHAPS transactions? If you believe that we should consider giving directions in relation to only one of these payment systems, or more than FPS and CHAPS, please set out why. Are there any other issues that we should consider when deciding which payment systems should be in scope?</p>	<p>We agree that the proposed approach should apply to FPS and CHAPS transactions.</p>
<p>Question 5 – part 1: Should the directions apply to all payment channels that an FPS or CHAPS payment can be initiated from? Question 5 – part 2: Should a CoP request only apply when a new payment mandate is being set up or changed?</p>	<p>Yes this should cover all payment channels No, there would be no requirement for a COP to apply to all existing payees, just when a new payment mandate is being set up or changed.</p>
<p>Question 6: How should any directions deal with the potential for people to opt out of the CoP process?</p>	<p>It has been recognised by the building society sector that allowing anyone to opt out could create more fraud claims. It should perhaps be discretion on each bank/building society to decide allowing opt outs based on their individual risk profile. We feel this option should also be made publically acceptable and recognised by the industry otherwise smaller businesses will suffer from negative press.</p>
<p>Question 7: Should any directions cover the sending of money from both individual and business accounts?</p>	<p>We feel that COP should apply to both personal and business accounts. It is recognised that more COP checks will be done on business account due to the type of activity.</p>
<p>Question 8: Should the directions separate out responding to CoP requests from being able to send CoP requests? Should directions cover both sending and responding?</p>	<p>The society has no view either way on this</p>

<p>Question 9: Do you agree with the deadlines for the introduction of CoP?</p>	<p>It is understood that COP has been delayed until March 2020. Once the consultation has been finalised, there are a number of technical issues to implement. As a small building society, we feel that we will need at least 12 months to fully implement these.</p>
<p>Question 10: Are there any alternative approaches that we should consider instead of giving directions to PSPs as set out in this document?</p>	<p>It would be a good idea to have a trial period to minimise the impact on customers and allow any unforeseen issues to be addressed.</p>
<p>Question 11: Is our assessment of the benefits the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.</p>	<p>We believe that COP will reduce some types of fraud but how much is yet unknown, it won't have any impact on other types of fraud (advance fee fraud for example).</p>
<p>Question 12: Is our assessment of the costs the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.</p>	<p>Costs will be ongoing (systems, ongoing training, increased calls etc.) so we cannot comment on the assessments of costs.</p>
<p>Question 13: Is our assessment of the trade-off between costs and benefits the right one? If you do not agree, please set out what you consider would be more appropriate and your view of the impact that would have.</p>	<p>As above</p>
<p>Question 14: What is your view on the impact of the proposed dates in our approach to the trade-off between costs and benefits? Do you consider that imposing April and July deadlines impacts either the costs or benefits of implementing CoP relative to a later implementation date – for example, 2020 or later?</p>	<p>As question 9</p>
<p>Question 15: Do you have any comments on our assessment of the impacts of the directions we are considering on protected groups or vulnerable consumers? Do you have any evidence that will assist the PSR in considering equality issues, and in particular complying with its public equality duty, in deciding whether to give directions and considering alternatives?</p>	<p>We feel that vulnerable customers would be impacted the most and may need additional monitoring.</p>

Ordo

PSR Consultation: Confirmation of Payee - Response to the first consultation and draft specific direction for further consultation (**paper CP19/4**)

PSR Consultation Response

Response from **Ordo**, the trading name of The Smart Request Company Ltd

(submission to cop.consultation@psr.org.uk)

The following information is the property of Ordo, the trading name of The Smart Request Company Ltd ("Ordo") and is provided to you in response to the above consultation only. The information may not be used for any purpose other than as a response to the PSR's 2nd Confirmation of Payee consultation, paper CP19/4, without the prior written permission of Ordo.

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Registered office: 12 Earlsfield House, Swaffield Road, London SW18 3AH

The logo for Ordo, featuring the word "Ordo" in a teal sans-serif font. The letter "o" at the end is stylized with a white circle inside, and there are small colored squares (orange, green, blue) to its right.

Who we are:

We are Ordo, which is the trading name of The Smart Request Company Ltd. We are an early stage fintech start-up and TPP. Our web site can be found at: ordopay.com.

The five founding directors incorporated the business as a new venture in the summer of 2018, having previously worked together in the Faster Payments Scheme, driving new competition in banking and payments and transforming access to the Systemically Important payment system. Whilst we were the leadership team at Faster Payments, we instigated bringing on new challenger banks and other PSPs such as Monzo, Starling, Atom, ClearBank and Transferwise. The team were awarded the Payments and Cards Awards Industry Achievement Award in 2017 by their payments industry peers for their work to allow Transferwise and its customers direct access to the Faster Payments System.

Following our time at Faster Payments, we set up Ordo.

Ordo's purpose is:

to improve financial wellbeing of individuals, businesses, social enterprises, charities, community groups and the public sector by helping them to be more in control of their finances. We do this by:

- enabling payers to securely and simply see what they've been asked to pay, trust who's asking, and then choose how and when they make or don't make payments;
- enabling billers to securely, simply and cost effectively provide information to, and request payments from, their customers without having to gather, store and protect payers' private financial information; and
- enabling billers to understand the status of their payment requests and receive settlement irrevocably and without delay from their customers, directly into their bank accounts.

We are leveraging our collective experience in payments, technology, consumer markets and regulation to achieve this.

We responded to the PSR's first consultation on Confirmation of Payee (CoP) paper CP18/4. We reiterate all the points stated in that response. In addition, we emphasise the following points:

1. CoP must not prevent long-term strategic solutions being created and utilised

CoP, as likely to be mandated by the PSR and implemented by institutions, must not prevent other long-term strategic solutions that may serve the market, and solve the problem more comprehensively, being created and deployed.

2. Account Title matches and notice from the ASPSP to the TPP

The CoP Service and rules need to ensure that where a third party provider (TPP) includes in a Payment Instruction for their customer an account title that is the same as, for example, what is shown on a person's debit card or cheque book, the CoP process must result in a perfect match and the process for the end user to complete a payment must be seamless and frictionless.

All of the account titles that an ASPSP uses to describe its customer must result in a perfect match from the CoP service. This should cover: cheque book name, debit card name and the account name provided via any push payments.

Where the provided account title is only a close match, and the payer has to manually accept the match, Open Banking must inform the TPP that the payer had to validate and accept the played back title to allow this to be investigated, improved and amended if relevant.

At the point of launch of CoP it is vital that all these requirements can be met for TPPs initiating payments via Open Banking. Failure to provide these will prevent the TPP delivering a comparable level of service as an ASPSP and would mean that the TPP was not operating on a level playing field compared to an ASPSP. This would be anti-competitive, prevent the objectives of PSD2 being realised and must not be permitted by regulators.

We note that Open Banking state they are working with Pay.UK to achieve this.

Ordo is a commercial company building a competitive solution for the payments ecosystem. Ordo's purpose is to improve the financial wellbeing of SMEs, consumers, public, private and third sector organisations by helping everyone be more in control of their money coming in, and bills and expenses going out. It enables payers to simply, swiftly and securely see what they're being asked to pay, trust who's asking, and choose when to pay; billers to simply, securely, and cost effectively send the information their customers need, without sharing private financial information; and billers to understand the status of their bills and payments, with their money going straight into their account, cost-effectively and instantly. For more information go to www.ordopay.com.



Santander UK, plc

PSR Consultation on Specific Direction on implementing Confirmation of Payee

Response from Santander UK, plc and Cater Allen Private Bank

Overview

1. Santander UK plc and Cater Allen Private Bank (hereafter and together referred to for simplicity as “**Santander**”) welcomes the opportunity to respond with input to the PSR’s consultation on Specific Direction on implementing Confirmation of Payee (CoP) (hereafter referred to as the “**Specific Direction**”).
2. Santander supports and has provided input into the UK Finance response to the consultation. However, we also wish to make a number of points particular to Santander, and set these out below in our bilateral response.
3. Please note that we do not consent to the publication of this response, either in whole or in part, without prior discussion. We would be happy to discuss our comments with the PSR and can be contacted at santanderregulatoryliaison@santander.co.uk to arrange or with any further queries.

Summary of key points

Implementation Timescales

4. Santander welcomes the introduction of CoP and recognises the value and added protection it is expected to bring to customers. We consider that the Specific Direction is well needed and could help to provide certainty to the market giving mandated Payment Service Providers (PSPs) a legally binding and common target.
5. Santander welcomes the publication of the new dates and having timescales to work towards. We anticipate that the delivery of the capability of receiving and responding to CoP requests from other PSPs by 31st December for inbound service would be feasible. However, it should be noted that, given the time of the year, year-end change freezes in our systems means that go-live readiness would mean readiness by the end of November 2019 is required in order to meet the December deadline. This issue will not be unique to Santander; there is a need to understand and agree the industry approach to implementation. We would like to flag this point and will engage with Pay.UK and the PSR should any barriers to this date arise.
6. Furthermore, the extension of scope to mandate the ability to send (CoP requests and present responses to customers) by 31st March and delivering in all channels is very challenging for financial institutions of all sizes.
7. Santander would recommend an approach of phasing the introduction of CoP, prioritising the most “in demand” customer segments.
8. Given the current volume of mandatory regulatory change projects in the payments space, stemming from multiple UK authorities, Santander urges the regulators to be mindful of the need for a degree of flexibility for financial institutions in order to deliver all regulatory change in good time.

Inclusion of Cater Allen in the Specific Direction

9. Santander notes that Cater Allen has been included within the Specific Direction. We consider this to be disproportionate on the basis that other similar wholly-owned subsidiaries of larger financial institutions have not been included..
10. Santander is an enthusiastic participant to the CoP agenda and does in time wish to bring in CoP functionality for Cater Allen customers. However, we consider this obligation should sit outside of this Specific Direction.

Complex account structures

11. We note that there has been significant industry debate in UK Finance around the application of CoP to certain financial structures (in particular Invoice Discounting).
12. Noting the significant concern, Santander would welcome the PSR providing guidance on how CoP should apply to such arrangements when privacy is paramount.

Implementation Approach

13. The implementation plan and industry coordination including testing and communications remains unclear and should be aligned with the timescales in order to successfully implement the solution.
14. Santander considers that, given the Specific Direction focuses on the larger PSPs, there is a risk that fraudsters will target the smaller PSPs who have not yet implemented CoP. The regulator may wish to consider the merits of offering a voluntary implementation to smaller PSPs as a way to ensure a level playing field, and provide deterrence to fraudsters.
15. Santander believes that further detailed guidance is required from the PSR and Pay.UK surrounding the opt-out process. There is a need to ensure consistency of approach across the industry, and currently there is scope for financial institutions to take slightly differing approaches. We consider that the complexity of CoP is likely to affect vulnerable and elderly customers, and special attention should be taken accommodate these types of customers – both in regard to the opt-out process guidance but also more generally.

Changes to Payment Mandates

16. Santander notes that the Direction not only applies CoP to new payment mandates, but now also changed payment mandates thereby extending the scope. Additional guidance would be beneficial to understand and address the type of transactions that meet this new requirement, and consideration given to the delivery timescales given the increased scope.

Conclusion

17. We support the introduction of CoP and recognise the benefit this could provide to both customers and the industry. We very much consider that the phased and proportionate approach outlined in this response would benefit the industry and implementation of CoP in a way which works for all stakeholders.

[ENDS]

Transpact

From: [REDACTED]
To: [cop.consultation](#)
Subject: RE: Payment Systems Regulator (PSR) Consultation on a specific direction for the implementation of Confirmation of Payee
Date: 10 May 2019 13:56:29
Attachments: [REDACTED]

Dear PSR (CoP consultation team),

I am writing for my firm in response to the PSR's consultation on the specific direction for the implementation of Confirmation of Payee

(<https://www.psr.org.uk/sites/default/files/media/PDF/PSR-CP-19-4-CoP-specific-direction-consultation-May-2019.pdf>).

- 1) We welcome the mandatory introduction of Confirmation of Payee (CoP) on the UK's 6 largest banking groups.

At present, we have a national emergency in the UK, with 13 people every hour of every day the victim of APP fraud, many suffering life-changing losses to fraudsters which break lives. This is an epidemic of crime, and CoP cannot come soon enough.

In this regard, we deeply regret the push back to 1st January 2020 for CoP responses to become mandatory – this is a mistake.

I personally am involved with various CoP industry committees and working groups, and whilst I cannot disclose any details at all due to having a non-disclosure agreements imposed by Pay UK, it is my personal view that industry (and the six large banking groups) would fit in with whatever date the PSR ordered. It is not a technical issue that delays CoP, but it is instead an issue of will and resource. If the PSR imposed an earlier date for CoP responses to become mandatory, then both the industry and the six banking groups would place more resources and management to the area in order to successfully meet that timescale.

It is imperative that the PSR brings forward the start of mandatory response to CoP to after 31st August 2019, and no later.

The main hurdle now to introducing CoP is in customer engagement planning, and that involves a CoP send – it does not involve a CoP response in any way.

So it is appropriate to leave the CoP mandatory sending date at 1st April 2020, as proposed in the consultation.

Bringing forward the mandatory response date, but leaving the mandatory send date unchanged, will allow early adopters of all PSPs (not just the big six) to offer CoP to their customer early if they wish.

The PSR owes it to the many tens of thousands of people and businesses who will be defrauded in the months just prior to 1 January 2020, if CoP is not in operation then, to substantially bring forward this mandatory CoP receive date.

- 2) We are relaxed about the PSR's choice to only include the big six banking groups within the PSR's CoP direction.

The result of the PSR's direction will be that Pay UK will be forced to implement the CoP service from the date the PSR sets, and that will be the catalyst for the introduction of CoP in the UK – not the take up by the big six banking groups.

The reason is that FCA rules now dictate that if any PSP (payer's PSP or payee's PSP) does not do enough to prevent fraud, then that PSP will be liable to make good the loss-suffered by a defrauded end-user.

So from the moment CoP becomes available (which it has not yet due to years of inaction), PSPs will have a choice of either offering CoP or bearing liability for their end-user's fraudulent losses.

- 3) We are extremely concerned however that CoP is not being mandated for single-payee standing order payment creations, which will be handled under BACS and not FPS. The PSR is leaving a ridiculous gap in the protection offered by CoP, and fraudsters will quickly migrate to defrauding end-users by manipulating payment to be made by standing order rather than direct bank-transfer. We have no idea why the PSR believe that this is an appropriate strategy. The reasons for including single-payee standing order payment creation via BACS within the PSR direction are actually laid out strongly in the report in paragraphs 2.61 to 2.63, which apply equally to single-payee standing order payment creations.

CoP is payment-agnostic, and as suitable for verifying single-payee standing order payment creations through BACS as it is for FPS.

We urge strongly the PSR to reconsider this erroneous decision.

- 4) The PSR's change to only mandate CoP on the big six banking groups may inadvertently lead the PSR to introduce strong anti-competitive strands into the UK payment system.

The big six banking groups may decide to treat differently or deprecate payments to non-CoP PSPs, due to the extra liability they may see themselves as facing by the mandatory introduction on this group.

Non-CoP PSPs will include those who use HOCAs, who are unable to operate CoP in Phase 1 of CoP.

If the big six banking groups choose to deprecate payments to non-CoP offering PSPs, then those PSPs will become inferior products (they cannot reliably receive payments) and they will suffer greatly, and the UK payments' market will start to break down.

We therefore believe that the PSR direction should include an additional clause which ensures that the big six banking groups cannot treat payments to a PSP who is unable to offer CoP in any worse way than a payment to a PSP who is offering CoP (if the PSP is able to operate CoP but chooses not to, then worse treatment would in that case be a reasonable option).

Please let me know if you require any further information or clarification to the above.

Best Regards,

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

TSB Ltd



TSB Ltd Response to:

PSR Consultation on general directions on Implementing Confirmation of Payee (Draft specific direction for further consultation) [CP19/4]

June 2019



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Executive summary

TSB remains supportive of the implementation of Confirmation of Payee (CoP) at pace to improve end-user protection against fraud and misdirected payments and is committed to ensuring that the service is delivered safely and effectively to our customers and the wider industry.

TSB supports the principle of giving a specific direction to the 6 largest banking groups, requiring them to introduce CoP, as this will provide certainty to the market through a legally binding and common target and allow greater industry alignment, a controlled implementation and the maximisation of benefits to customers. However, this approach is not without risk and challenge and we would request that the PSR consider whether a further set of separate directions/timelines could be issued for whole-market adoption to ensure maximum adoption and benefits of the service.

Whilst the latest PSR Consultation would suggest that CoP will not be mandatory for TSB under the proposed Directions, we believe it remains in TSB's best interests to implement CoP as close as possible to the revised timelines proposed by the PSR and we continue to review our capacity/ability to progress the delivery of CoP on a voluntary/commercial basis as a non-mandatory project.

The proposed timelines and intent to place directions only on a subset of industry participants do create a number of challenges which we would invite the PSR to consider:

- TSB are concerned that the new proposed timelines would be somewhat challenging (if not unachievable) for both TSB and the wider industry, due to the current level of regulatory/mandatory change already in scope for delivery this year and the constraints of Q4/year-end change freezes related to Christmas/new Year, peak shopping days and the potential of a Managed or No-Deal Brexit (October 31 2019). This is particularly true for smaller PSPs who like TSB, will not be mandated to implement CoP and therefore may find it difficult to secure resource and funding to deliver a solution this year.
- Industry discussions have also noted that the proposed directions create some challenges in the proposed Industry Testing & Implementation support proposed by Pay.UK. It is now unclear whether this support will only be offered to the 6 large banking groups under the proposed directions or whether it can/should be extended to all participants seeking to implement to similar timescales. Furthermore, it also raises complexity in the funding model for the proposed support as well as the longer-term/ongoing availability of such support for PSPs unable to make the initial timescales.
- TSB also are concerned that the proposed directions may create a market imbalance between those who are mandated to meet the PSR's timeline and those who are unable to do so on a voluntary basis. This may result in a shift in customer perception of individual firms and/or the shift of fraud to PSPs not implementing to the same timescales. Therefore, TSB recommend that the PSR review the impact upon competition that the limitation on firms within scope may have upon the market.

In addition, TSB would like to reinforce our previously shared views on the complexity and effort required to introduce CoP on all channels. There would need to be a considerable amount of staff training/education particularly for attended (branch & telephony) channels to ensure that the service is safely and effectively delivered to end-users. We would therefore invite the PSR to consider whether a phased introduction of Send capability (digital channels first, followed by a wider rollout to all channels) may result in a more efficient, effective and robust delivery approach



TSB Response to Annex 1

1.2

TSB are confident that implementing Confirmation of Payee will improve consumer protection against fraud and misdirected payments. The solution also strongly supports TSB's recently announced Fraud Guarantee and therefore failing to support a widely-available and widely-publicised prevention tool may seem inconsistent to our customers, regulators and the wider industry.

1.6

TSB's view is that the main risk of APP fraud and misdirected payments is currently related to FPS & CHAPS payments and therefore are supportive of a direction applying to FPS and CHAPS transactions. TSB does however share concerns over the scope of which the direction should apply. The draft proposal from the PSR states that a direction should apply to all channels over which an FPS or CHAPS payment can be made. Whilst we are supportive of a direction applying to all channels, we believe a phased implementation with online and mobile payments first may be a better option as the implementation into attended channels (branch & telephony) is significantly more impactful in terms of both technical and operational delivery. TSB believe that a phased approach would be proportionate to the risk.

It is also important to highlight the challenges in applying CoP to channels with no customer-facing graphical user interface (GUI) and the lack of rules, standards and clarification for 'human-intermediated' channels and customer experiences where a bank member of staff would likely be keying the payment instruction and intermediating the customer response/decision to a CoP message. If the direction is to apply to all channels, then the Pay.UK rules & standards need to be further developed to address the requirements and complexity of these additional payment channels as the current standards only focus on digital and online platforms thus making it difficult to build a solution that will benefit customers across all payment channels. Furthermore, even within these additional channels there are customer experiences that are automated or semi-attended (e.g. IVR, branch self-service) which may require special consideration.

1.8

We support the decision to apply a direction to PSPs who account for 90% of the total volume of transactions over FPS and CHAPS, however we share concerns around the market imbalance this may create between those who are mandated and those who are unable to do so. Therefore, TSB recommend that the PSR review the impact upon competition that the limitation on firms within scope may have upon the market. There is also a risk that some fraud could move from PSPs that offer CoP to those that do not, and whilst the PSR believe that such movement will be limited if the movement of fraud becomes material this could mean considerable losses for smaller PSPs.

TSB also believe that there is sufficient awareness and availability of key capabilities (Pay.UK Rules/Standards; OBIE Directory; etc) beyond the 6 PSPs within scope of the proposed direction to facilitate wider market adoption (or Direction), as evidenced by the wide range of participants in the Pay.UK CoP Working Group and the 40+ (AS)PSPs now registered on the Open Banking Directory. While these processes are still not fully robust and mature, and barriers remain for some PSPs, we do not believe that they would prevent further PSPs beyond the 6 large banking groups adopting CoP

3.1

TSB are concerned that the new proposed timelines would be somewhat challenging (if not unachievable) due to the current level of regulatory/mandatory change already in scope for delivery this year. This is particularly true for smaller PSPs who like TSB, will not be mandated to implement CoP and therefore may find it difficult to secure resource and funding to deliver a solution this year.



In addition, many of the PSPs (mandated and non) will undergo IT infrastructure change freezes towards the end of the year (related to Xmas/New Year; Peak Xmas shopping days; potential Brexit; etc) and will therefore be required to deploy the service in November of this year (or before). This will make it extremely challenging to mobilise, implement and fully test an effective solution that is fit for purpose and one that customers will potentially trust and use.

Furthermore, TSB and other PSPs (regardless of their mandatory status) will be dependent on the accurate and effective implementation of CoP across the industry. PSPs will need to ensure a fully comprehensive solution is in place, with a consistent and reliable matching rate – failing to achieve this could leave PSPs with a negative reputation and could result in poor customer experiences for users of the service. The challenges (noted in the Executive Summary) regarding Pay.UK provision of implementation and testing support are critical in supporting all PSPs in delivering the service safely and effectively to their customers.

We invite the PSR to consider whether the proposed timeframe for delivery will have an impact on the accuracy of the final solution.

3.2

TSB note that, in order to comply with the standards as published by Pay.UK, PSPs are understood to be required to join OBIE to access the Open Banking directory. With this in mind and given the competitive nature of the CoP service, the rules and standards are putting the directory at the heart of the UK's payments infrastructure. While TSB is now fully registered in the Open Banking directory alongside 40+ other PSPs, we are aware that availability of key requirements for the proposed API-based architecture may remain insufficiently mature to support an effective implementation for all PSPs.

For example, the ability of and terms of usage for smaller PSPs and/or vendors to gain access to the Open Banking Directory (for the sole purpose of supporting CoP) is currently constrained and the impact of any future changes to the Directory (including but not limited to the switchover to eIDAS certificates) remains unclear. It is also unclear as to the level of resource availability within OBIE to support CoP development given the demands of PSD2 delivery during 2019 and the ongoing challenges related funding and governance.

Furthermore, PSPs would manage their liabilities under the Contingent Reimbursement Model (CRM). It is recommended that authorities consider whether the current governance, liability and funding arrangements are sufficiently robust. In addition, it may be worth noting that the group volunteering to follow the CRM code are different to the six banking groups proposed for CoP Directions in this consultation. This makes it confusing and inconsistent as those who are not mandated to offer CoP but are adhering to the CRM will be expected to implement CoP as it is a key requirement for firms to follow (e.g. Metro Bank) and other may choose to implement CoP without volunteering to adopt the CRM Code. These inconsistencies may reduce the efficacy of and consumer trust in the service and wider ecosystem approach to fraud protection.

3.4

See comments under 1.8

UK Finance

CP 19/04 – CoP Specific Direction Consultation

UK Finance Response

Date: 05 June 2019

Address: Payment Systems Regulator
12 Endeavour Square
London
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Sent to: cop.consultation@psr.org.uk

UK Finance is the collective voice for the banking and finance industry.

Representing more than 250 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

UK Finance is pleased to respond to the PSR's consultation on their draft specific direction regarding the industry's implementation of Confirmation of Payee (CoP). We are particularly glad to see that the PSR has taken on board the industry's response to its original consultation. In all, we are supportive of the implementation of CoP in a collaborative, pro-competitive and cohesive manner that will result in a beneficial outcome for end-users. We are likewise hopeful that the implementation of CoP by the industry will serve as an effective anti-fraud measure and reduce the volume and value of Authorised Push Payment fraud, deployed alongside other industry initiatives to reduce the impact of this category of fraud on the consumer.

From a market perspective; we see the CoP service as key for the industry to adopt, in a scale beyond that currently within the PSR's proposed direction, and are keen to enable as many of our members as possible to implement this service and deliver increased value to their customers. As part of that, we are working with Pay.UK and OBIE to support and co-ordinate the implementation of these standards by the industry and look forward to working to enable the PSR's desire to see this service delivered. The implementation of CoP is a significant change to the existing processes used by consumers to make payments and enabling a smooth implementation of these changes is a key goal of our engagement.

Moreover, work to implement CoP will fall to the same finite resources—both technical and managerial—within firms also implementing PSD2, other IT-enabled regulatory changes and discretionary activity. We question whether the PSR's analysis addresses the cumulative impact of its proposals, not least in terms of heightened operational risk and other consumer benefits foregone, and reiterate the concerns we expressed in our response to the Treasury Committee's inquiry into IT failures in the financial-services sector about the absence of coordination between public authorities over the substance, timing and prioritisation of their initiatives, particularly in regard to payments.¹

¹ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/treasury-committee/it-failures-in-the-financial-services-sector/written/95181.html>.

1. Do you have any comments on our proposed direction as set out in Annex 1?

UK Finance and its members are supportive of the implementation of a CoP service for the market; however, for this to be achieved in a manner that best meets the PSR's expectations on benefits to the market and end consumers, we believe there are a number of elements that need to be taken into consideration. These are as follows:

1.8.e

While UK Finance agrees that the firms the PSR has chosen to direct to implement CoP are aware of the specifications and have the sufficient technical connectivity to deliver against the requirements of the Pay.UK standards, the current requirement for firms to join the Open Banking directory is an item that the wider industry may not be as prepared for as the mandated firms and this may be a barrier for further adoption. Several of our members looking to implement CoP services that are outside of the PSR's proposed direction are not currently integrated with the Open Banking directory, do not currently have the specifications necessary for them to implement this service (please see comments on 3.3, 3.4, and 3.7.q) or have faced challenges engaging with Pay.UK in order to acquire copies of the necessary standards. We consider that OBIE and Pay.UK should resolve these issues as a matter of urgency.

3.1

In view of year end technology freezes, the proposed direction imposes a deployment of CoP response capabilities well before the stipulated deadline date. UK Finance is engaging with the industry, Pay.UK and OBIE in order to facilitate the deployment of CoP and we will engage with the PSR as necessary should barriers to this date arise.

Due to the decision to restrict access to the CoP specifications, it is not known by UK Finance whether the technical specifications provided by Pay.UK will enable Confirmation of Payee responders to differentiate between CoP requests made in relation to a transaction caught within the scope of the PSR's direction and CoP requests outside of the scope of the direction. Mandated firms will likely have to respond to all CoP requests in order to meet this requirement, regardless of whether they may or may not be made in connection with an applicable transaction. However, UK Finance regards this as an acceptable outcome of the proposed direction.

3.2

UK Finance note that, in order to comply with the standards as published by Pay.UK, PSPs are understood to be required to join the Open Banking Implementation Entity to access the Open Banking Directory service. As we stated in our response to the PSR's 2018 consultation, due to the competitive nature of the CoP service, the PSR is effectively putting 'the Open Banking Directory at the heart of the UK's payments infrastructure. All PSPs would depend on it to offer a CoP service and manage their liabilities under the Contingent Reimbursement Model (CRM). The regulatory authorities will need to consider whether the existing governance, liability and funding arrangements are sufficiently robust'.

We therefore recommend that the PSR consider what actions it may need to take, in collaboration with Pay.UK, OBIE and UK Finance, in order to further the independence of this body and ensure that it can continue providing vital infrastructure to the industry within a governance model that serves the needs of a matrix of stakeholders wider than its current remit.

3.3

Please see our comments on 3.1.

3.4

It is considered by some non-mandated firms that a market imbalance may be created between those who are mandated to meet the PSR's timeline and those who are unable to do so. UK Finance recommend that the PSR review the impact upon competition and the potential migration of fraud rates that the limitation on firms within scope, and those who are unable to deploy the service under the current standards, may have upon the market.

We invite the PSR to consider whether their making of a direction will result in an imbalanced market for those outside of the proposed direction.

It is understood that only the firms specifically named in this direction will be obliged to fulfil the requirements of this direction and that firms participating in agency and other indirect participation models will not be considered as within scope.

UK Finance would appreciate specific clarity on the scope of firms to be covered within the current direction in relation to agency and other indirect participation models.

3.7

We recommend to the PSR that greater clarity be given as to the transactions that meet the criteria within this paragraph. It is understood that all of the criteria noted within this paragraph are considered within scope of this requirement must be met by a transaction for it to be considered in scope. For consideration, our suggested wording is provided below:

A transaction is 'applicable' only if it meets all the following criteria:

UK Finance also note that there is some confusion as to which party to a transaction should be monitoring whether a CoP request should be made.

We request that the PSR confirm whether the PSP sending a payment will be responsible for ensuring all applicable transactions captured within the scope of 3.7 are preceded by a CoP request.

3.7.p

In order to ensure that cross-border payments are explicitly out of scope of the proposed direction, UK Finance recommend that an additional criterion be added, suggested wording as below:

the transaction is not as a result of the sending or receiving leg of a cross-border payment or where the originating account is an account held outside of the UK

An amendment to 3.9 may provide greater clarity, such as to say:

An account is a ‘UK account’ if it is provided by a PSP in the course of that PSP’s service to a consumer or business within the scope of that PSP’s business within the United Kingdom

The impact of the second change above would be to take out of scope any holding accounts or other accounts used by a PSP, within the course of that PSP’s business in the UK, which are specifically used for the purposes of holding or forwarding on international or national payments that do not begin or end in conventional customer accounts; even if these holding accounts are accounts that are addressable by a standard sort-code and account number.

3.7.q

UK Finance wish to note their support of the specificity contained within this statement given the current lack of support by Pay.UK’s specifications of payment types or accounts that do not use a sort-code and account number combination as the sole means by which an account is identified. However, a firm may not always be able to recognise when a payment addressed to an account is using an additional identifier within a reference field to address a specific account. This may result in a CoP request being sent to an institution which is currently, as per a lack of specifications provided by Pay.UK, unable to respond to such a request.

UK Finance is aware that this may cause an anti-competitive environment with some institutions being unable, due to the current scope of Pay.UK’s specifications, to deliver the level of service that firms mandated by the PSR’s direction can provide. While institutions using non-standard account identifiers may still be able to send CoP requests to eligible accounts; customers using these accounts may be disadvantaged by the inability of their respective financial institution to respond to inbound CoP requests.

While the PSR is correct that an implementable service can be created utilising the current standards, UK Finance wish to note that there are key technical challenges which have not yet reached an optimal solution, particularly with regards to the directory provided by the Open Banking Implementation Entity as part of the Confirmation of Payee standards.

In order to mitigate these facts, UK Finance recommends that the PSR engage with Pay.UK and UK Finance in order to ensure that the next version of the standard is developed in a timely manner for all market participants.

3.7.r

As we noted in our response to the PSR's 2018 consultation on the implementation of CoP; 'There are some payment channels to which the Direction should not apply. The direction cannot apply to channels where there is no graphical user interface or where the customer does not communicate with a PSP employee unlike in branch or over the phone. In these circumstances the messaging to customers cannot be controlled. This would include channels like FPS direct corporate access and file input, host-to-host channels, SWIFT users and where a payment initiation service provider is involved.' 'On the sending side, most customers will send files and their PSP would not know if any payment within a file was "new" or recurring because this would be handled upstream by the customer in their own resource planning system.'

Additionally, for these channels, it may not be possible for an institution to verify whether a payment is made singly or in bulk and, while the capability for Payment Initiation Service Provider initiated payments to be supported by the CoP standards is planned for inclusion in Phase II of Pay.UK's standards; the capability does not currently exist to support a CoP journey across these channels. In light of these considerations, UK Finance recommend that an additional criterion be added, with suggested wording for consideration below:

the transaction does not originate from a corporate or consumer direct submission or unattended channel

3.7.s

Please see our comments on 3.1 and 3.7.q. It may not be possible for a PSP sending a CoP request to identify ahead of time that the receiving account for a payment is a PSP collection account. Given that it will not be possible for a firm to respond to these requests due to a lack of specifications provided by Pay.UK, the industry runs the risk of propagating an imbalanced market unless Pay.UK deliver on Phase II within a timeframe that will permit these account providers to enable this service in a competitive timeframe.

UK Finance re-iterates its suggestion that the PSR continue to engage with Pay.UK and UK Finance to ensure these specifications are fit for the entire market.

3.7.t

The current wording does not allow for 'trusted beneficiaries' to be set up; i.e. payees whose accounts may be confirmed using confirmation of payee and, subsequent to this confirmation, a later payment sent. UK Finance recommends that an additional criterion be added to this paragraph with the wording as suggested below:

is not to a payee that the payer has already set up as a verified beneficiary by undertaking a successful confirmation of payee request outside of a conventional payment process

It is unclear to UK Finance why the PSR explicitly state the requirement to undertake a CoP check against a payment to a payee to whom a payment has previously been initiated but not payment has occurred. While we support the implementation of CoP services to as many payments as

possible in order to establish the veracity of payees, both new and historical, we feel that this detail of implementation is better answered through implementation by individual firms within the contexts of their specific CoP customer journeys outside of a regulatory mandate. It is unclear as to how many financial institutions this could apply to and there are likely other 'edge case' scenarios that specific circumstances within a financial institution's technical infrastructure or customer offering may bring about and UK Finance believe that it is preferable for these institutions to have the discretion to apply a reasonable solution to these situations.

UK Finance request that the PSR remove the second bullet point to 3.7.t; 'the payer has previously initiated a payment from the sending account to the receiving account, but no payment actually occurred.'

3.9

Please see our comment on 3.7.p.

4.5

UK Finance requests that the PSR provide the earliest date by which it requires a directed PSP to submit a report concerning its proposed plan to implement Confirmation of Payee in 4.3 and adjust clause 4.5.a as this appears to allow the PSR to require a variation in the date by which the first report must be submitted to prior the date first provided in 4.3. UK Finance consider that the below wording could be a suitable alternative:

it must submit its first report on or before a different date, provided the requested date is subsequent to the [29 September 2019]

[REDACTED]

Which?



Which?, 2 Marylebone Road, London, NW1 4DF

Date: 5 June 2019

Response to: Confirmation of Payee: Consultation on specific direction
CP19/4

Consultation Response

Payment Systems Regulator consultation on *Confirmation of Payee: Consultation on specific direction*

The case for regulatory intervention

Which? strongly supports the PSR's proposals to require firms to introduce Confirmation of Payee. We have long called for the widespread adoption of Confirmation of Payee by banks and other payment service providers to help detect and prevent authorised push payment (APP) scams. The current voluntary approach has so far failed, so regulatory action is now required.

Payments made via Faster Payments and CHAPS are currently processed without checking whether the account name matches the account number. Confirmation of Payee will check whether the account name, which could be an individual or business, matches the customer's intended recipient before any money is transferred. If customers are provided with clear and reliable information and warnings, this measure could be particularly effective at tackling redirection scams, whereby the victim thinks they are paying a legitimate payee but are tricked into paying a malicious payee. It will also help to prevent accidentally misdirected payments.

Scams are often highly sophisticated, and scammers will still find ways to convince victims that the account name is the payee they intend to pay. For example, by claiming that the business name on an account is different to the intended business' name because it is a related trading name, or by opening fraudulent accounts with names similar to legitimate businesses. Nonetheless, Confirmation of Payee should make it harder for scammers to operate. It will also add an extra risk warning for both customers and payment service providers to help them identify a scam.

Which? supports the PSR's proposals for comprehensive coverage of payment channels and schemes

As we have previously set out, Which? agrees with the PSR's proposed requirements for its Direction to payment service providers to be comprehensive in its coverage is so far as it:

- covers all payment channels (mobile, internet, telephony and in-branch);
- covers both Faster Payments and CHAPS; and
- requires payment service providers to send and receive messages.

We also support proposals for the Direction to only apply when a new payment mandate is being set up or changed, rather than for all payment transactions. The point when a new

payment mandate is set up or changed is where there is the greatest risk of fraud occurring and where the benefits of introducing greater checks significantly outweigh the costs to consumers in terms of speed of making payments. Nonetheless, the PSR should also keep under review whether this requirement should be extended to include making payments to existing payees under certain circumstances, such as unusual transactions or those above certain amounts, or transactions that are made within a certain period of a payment mandate being set up or changed.

We would also expect payment service providers to go above and beyond the PSR's minimum requirements if they find evidence that certain types of payment are at greater risk of APP scams and could benefit significantly from Confirmation of Payee. In particular, signatories to the APP Scams Contingent Reimbursement Model have committed to analyse data on transactions and customer behaviour to identify payments that are at higher risk of being an APP scam. Such analysis should inform how and when they offer Confirmation of Payee to their customers, in addition to minimum regulatory requirements.

There should be no further delays to the PSR's deadlines

We are disappointed that the PSR's proposed deadlines for introducing Confirmation of Payee have been delayed by nine months. This is likely to mean that customers will have to wait until the end of March 2020 to use this vital service. According to the PSR's own forecasts, this delay could see losses of more than £100m from maliciously misdirected scams and misdirected payments, so it is vital that the PSR holds firms to this new deadline and follows through with enforcement action against any firms that do not meet these deadlines.

All payment service providers should be mandated to introduce Confirmation of Payee

We strongly disagree with the PSR's proposals to limit the Direction to six banking groups. This is likely to mean that many customers are not offered the benefits of Confirmation of Payee at all, and that even the customers of the six banking groups are not always able to use Confirmation of Payee. The PSR has not been able to say how many transactions it expects to be affected. The PSR has stated that 90% of Faster Payments and CHAPS transactions involve one of the six banking groups as either the sending or receiving PSP. But as the PSR goes on to note, Confirmation of Payee requires both sending and receiving firms to participate so this statistic is not directly relevant. The share of transactions that are between providers in the six banking groups could also change significantly in the coming years.

When making the case for the Direction to cover all payment channels (mobile, internet, telephony and in-branch) the PSR rightly argues that inconsistent levels of protection could lead to confusion and uncertainty among consumers and that APP scams could move to channels that are out of scope. But both of these arguments equally apply to the coverage of payment

service providers, so it is unclear why the PSR does not therefore propose a General Direction covering all payment service providers.

Customers of the six banking groups could find it difficult to understand why they are prompted to use Confirmation of Payee for some payment mandates but not others. While people with accounts with more than one payment service provider would potentially be prompted to use Confirmation of Payee when using one of their accounts but not with others. Many people are customers with more than one payment service provider: for example, 44% of people with a personal current account have more than one current account, according to the FCA's Financial Lives survey.¹ Some of these people will have an account with one of the six banking groups as well as accounts with other payment service providers. Equally, fraudsters will shift their behaviour and target payment service providers that do not offer Confirmation of Payee. The PSR says that any such movement will be limited and will not materially undermine the benefits of the Direction, without setting out why it thinks this will be the case.

All firms that offer Faster Payments and CHAPs to their customers benefit from the credibility that these payment schemes offer their businesses. Given the significant benefits that implementing Confirmation of Payee will bring, it should form part of the minimum standards for all firms offering these payment services.

Rather than excluding the vast majority of payment service providers without a clear rationale and evidence base to determine which firms are covered by the Direction, the PSR should direct all payment service providers to provide Confirmation of Payee to their customers by the March 2020 deadline unless there is clear evidence that they could not reasonably be expected to deliver an effective service to their customers in time for this deadline. For any firms that require more time, the PSR should set out a subsequent deadline or series of deadlines for these firms to introduce Confirmation of Payee as soon as is practically possible.

Pay.UK should coordinate communication and customer education for the launch of Confirmation of Payee

The PSR should also outline clear expectations of how Pay.UK and payment service providers should work together to communicate the launch of Confirmation of Payee. Consumers need to be given clear messages about how Confirmation of Payee will change how they make payments. We are concerned that Pay.UK has said it will 'not take an active role in education'.²

¹ FCA (2017), *Financial Lives Survey, Weighted data tables: Main*

² 'Pay.UK's role is to deliver the market capability for PSPs to offer the service to their customers and Pay.UK will therefore not take an active role in education. Raising awareness of CoP, educating customers on how to get the most out of the service and ultimately changing customer behaviours will all be critical to the medium- to long-term success of CoP as a service. This is a role that needs to be undertaken by PSPs with their customers and Pay.UK will provide support and guidance to help PSPs with this important deliverable as part of the implementation of CoP.' Pay.UK (2018), *Confirmation of Payee: Understanding consumer and stakeholder perspectives*, p.11



As the organisation responsible for introducing Confirmation of Payee and for overseeing the Faster Payments Scheme, which is by far the largest push payment scheme, Pay.UK should coordinate communication and customer education for the launch of Confirmation of Payee to ensure there is consistency across payment service providers.

About Which?

Which? is the largest consumer organisation in the UK with more than 1.3 million members and supporters. We operate as an independent, a-political, social enterprise working for all consumers. We are funded solely by our commercial ventures and receive no government money, public donations, or other fundraising income. Which?'s mission is to make individuals as powerful as the organisations they have to deal with in their daily lives, by empowering them to make informed decisions and by campaigning to make people's lives fairer, simpler and safer.



June 2019