

Policy statement

# Fighting authorised push payment scams:

CHAPS APP scams  
reimbursement requirement

September 2024

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# 1 Executive summary

- 1.1** Following our consultation on introducing our Faster Payments APP scams policy into CHAPS, the UK's high-value payment system, we are now confirming the requirements on in-scope payment service providers (PSPs) to reimburse CHAPS APP scam victims. This follows our confirmation of equivalent requirements for the reimbursement of Faster Payments APP scam victims. The final Faster Payments policy is set out in [PS23/3: Fighting authorised push payment fraud: a new reimbursement requirement](#), [PS23/4 Fighting authorised push-payment scams: final decision](#), and [PS24/3 Faster Payment APP scams reimbursement requirement: compliance and monitoring](#).
- 1.2** This extensive package of work is a key element of the PSR delivering our strategic priority of ensuring end users are sufficiently protected when using the UK's payment systems. It will also drive increased confidence in UK payment systems.
- 1.3** Recognising that criminals operate across multiple payment systems, in December 2023 we said we would support the introduction of similar reimbursement requirements for CHAPS. We have continued to work closely with the Bank as it has developed its reimbursement rules which contain the CHAPS APP scam reimbursement requirement. These rules were consulted upon by the Bank alongside our consultation on Specific Direction 21 (SD21)<sup>1</sup>. The CHAPS reimbursement rules are available [on the Bank's website](#).
- 1.4** To support implementation of the CHAPS APP scam reimbursement requirement, we are now directing in-scope CHAPS participants to reimburse their consumers who fall victim to an APP scam perpetrated over CHAPS.
- 1.5** SD21 will support effective implementation of the Bank's CHAPS reimbursement rules which contain the detailed parameters of the policy. Our direction is closely aligned with Specific Direction 20 (SD20) to in-scope Faster Payments participants, and the CHAPS reimbursement rules are aligned with Pay.UK's reimbursement rules, to the extent possible. This approach will deliver consistent and effective consumer outcomes across CHAPS and Faster Payments in respect of APP scams, whilst streamlining the regulatory obligations on directed payment service providers (PSPs).
- 1.6** We confirm that the reimbursement requirement will come into effect on 7 October 2024, the same date that the CHAPS reimbursement rules come into effect, and the same start date as the Faster Payments APP scams reimbursement requirement.
- 1.7** The policy will support our strategic aims of:
- incentivising the payments industry to invest further in end-to-end fraud prevention by requiring every PSP in scope of the policy to meet the cost of reimbursement.
  - increasing consumer protections so most victims of APP scams are swiftly reimbursed, boosting confidence in the UK payment ecosystem.

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1 CP24/8 [CHAPS APP scam reimbursement requirement](#) (May 2024)

**1.8** This policy statement sets out the final details of the CHAPS reimbursement requirement policy, and confirms:

- the policy start date of 7 October 2024, aligned with the date that the Bank's CHAPS reimbursement rules will come into effect, and the Faster Payments reimbursement policy start date. This approach will ensure delivery of consistent protections for consumers of CHAPS to be delivered as soon as possible, and reduce the risk of fraud migrating from Faster Payments to CHAPS.
- all in-scope PSPs must register in line with the requirements set out in the CHAPS reimbursement rules as soon as practicable and no later than 7 October 2024, by providing the information set out in the CHAPS reimbursement rules. This requirement only applies to PSPs who are not already required to register (or who are not already registered) with Pay.UK as required by SD20 which applies to directed PSPs in relation to Faster Payments. This is to ensure that in-scope PSPs are only required to register once.
- the compliance and monitoring metrics PSPs will need to report to the Bank on a monthly basis. This information may also be shared with the PSR so that we can monitor compliance with SD21. These are aligned with the confirmed metrics for Faster Payments – with a key difference that PSPs are not required to submit nil returns to the Bank, where they have not received any APP scam claims in the relevant reporting period.

**1.9** We have published SD21 alongside this policy statement. SD21 should be read alongside the CHAPS reimbursement rules<sup>2</sup>, and the CHAPS Compliance Data Reporting Standard<sup>3</sup> so that all in-scope PSPs have a clear understanding of the obligations placed upon them.

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2 CHAPS Reference Manual Appendix A, [CHAPS Reimbursement Rules](#) (August 2024)

3 [CHAPS Compliance Data Reporting Standard](#) (September 2024)

## 2 Introduction

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We consulted on introducing the reimbursement requirement protections in CHAPS and the Bank consulted on the CHAPS reimbursement rules.

We are now confirming the approach we are taking to expand reimbursement protections to consumers of CHAPS. The proposed rules, the approach we consulted on and SD21 are aligned with the approach we are taking for Faster Payments.

This policy statement confirms our approach, provides a summary of responses to our consultation and our views on points raised by respondents.

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### Background

- 2.1** In June 2023, we published our policy statement PS23/3, *Fighting authorised push payment fraud: a new reimbursement requirement*.<sup>4</sup> This policy comes into effect on 7 October 2024, and will deliver increased protections for consumers using Faster Payments. A significant proportion of APP scams are perpetrated over the Faster Payments Scheme.
- 2.2** Alongside our June 2023 policy statement, the Bank (as the operator of CHAPS) announced that it was committed to achieving comparable consumer protection outcomes for consumers using CHAPS. While the focus of CHAPS is wholesale payments, it is also used by consumers for some high-value and/or time-sensitive transactions, including asset purchases, and is high-confidence as both the payer and the recipient know when the payment has been processed. Ensuring those consumers are sufficiently protected when using the UK's payment systems is a strategic priority for us, so we want to support this aim.
- 2.3** We also want to:
- provide incentives for PSPs participating in CHAPS to prevent fraud, which in turn prevents fraudsters moving their activities to CHAPS.
  - ensure that the CHAPS reimbursement requirement does not place any unnecessary, duplicative or inconsistent regulatory burdens on CHAPS participants.
- 2.4** As part of the consultation on our package of legal instruments to implement the Faster Payments reimbursement requirement<sup>5</sup> last year, we sought views on whether a similar approach should be taken for CHAPS (i.e. giving a direction under section 54 of the Financial Services (Banking Reform) Act 2013 (FSBRA) to all PSPs participating in CHAPS). Most respondents were supportive of this, pending further consultation. We carried out this consultation, CP24/8<sup>6</sup>, earlier this year. We detail the responses we received to this consultation, and our view, in chapter 3 of this policy statement.

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4 PS23/3, [Fighting authorised push payment fraud: a new reimbursement requirement](#) (June 2023)

5 CP23/4, [A new reimbursement requirement: Faster Payments APP scam reimbursement rules and operator monitoring](#) (July 2023).

6 CP24/8, [CHAPS APP scam reimbursement requirement](#) (May 2024)

- 2.5** We have since been working with the Bank in the development of a reimbursement model for CHAPS that reflects the model introduced in Faster Payments, is simple to implement, and creates APP scam protections for consumers making payments over CHAPS which are comparable to the protections that will be in place in Faster Payments from 7 October 2024.
- 2.6** Following our consultation, CP24/8, this policy statement confirms the final position for the CHAPS reimbursement requirement. The CHAPS [reimbursement rules are available on the Bank's website](#).<sup>7</sup>
- 2.7** The Bank's CHAPS reimbursement rules are contained in Annex A of the CHAPS reference manual. These reimbursement rules will apply to all participants in CHAPS that provide relevant CHAPS accounts. The Bank will maintain and evolve these over time and endeavour to keep them aligned to the Faster Payments reimbursement rules, to the extent possible. This includes in respect of the excess and the maximum level of reimbursement which the Bank is responsible for setting. We will continue to support the Bank as required.
- 2.8** The PSR and the Bank will be exchanging letters in which we will set out how we will cooperate in respect of CHAPS APP scams. We anticipate publishing these on the PSR's website in due course. These will detail our respective obligations in relation to bilateral information sharing and engagement on an ongoing basis. These are also likely to set out that the Bank will notify the PSR of any intended changes to the CHAPS reimbursement rules which could affect the operation of the reimbursement requirement or SD21. The PSR will outline any proposed changes we are considering regarding SD21 and our approach to information-sharing to support effective compliance monitoring of the CHAPS reimbursement requirement in line with our remit.
- 2.9** The CHAPS reimbursement rules contain:
- the CHAPS reimbursement requirement as outlined in SD21.
  - the level of claim excess PSPs can levy on hybrid<sup>8</sup> or CHAPS APP scam claims.
  - the maximum level of reimbursement applicable to hybrid and CHAPS APP scam claims. (See 2.18 below)
  - the consumer standard of caution exception (by referencing the consumer standard of caution the PSR has published<sup>9</sup> on its website for the FPS reimbursement requirement).
  - the obligation on PSPs to report data on their compliance with the CHAPS reimbursement rules to either the Bank or the Bank's chosen solution provider.

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7 CHAPS Reference Manual Appendix A, [CHAPS Reimbursement Rules](#) (August 2024)

8 Hybrid cases are those where payments were made to a scammer across both CHAPS and Faster Payments, as part of the same APP scam.

9 Specific Requirement 1, [The Consumer Standard of Caution Exception](#) (December 2023)

**2.10** SD21 contains:

- the requirements for in-scope CHAPS PSPs to reimburse victims of reimbursable CHAPS scams (The CHAPS reimbursement requirement) (similar in nature to the FPS reimbursement requirement in SD20).
- the scope of the CHAPS reimbursement requirement, to include the CHAPS reimbursement rules for exceptions and additional provisions.
- an obligation on in-scope CHAPS PSPs to comply with the CHAPS reimbursement rules.
- an obligation on indirect access providers in CHAPS to provide the PSR with details on their indirect PSP customers.
- an obligation on in-scope PSPs to report data to the Bank in line with the CCDRS, to enable the Bank to monitor PSP compliance with the CHAPS reimbursement rules.

## Statute, strategy and competition

**2.11** Our statutory objectives underpin everything we do. In summary, these are:

- 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.
- to promote effective competition in the markets for payment systems and services – between operators, PSPs and infrastructure providers.
- to promote the development of innovation in payment systems.

**2.12** Alongside these, one of our strategic priorities is ensuring that end users are sufficiently protected when using the UK's payment systems. We consider that creating a reimbursement policy for both Faster Payments and CHAPS will:

- create a clear financial incentive for PSPs to limit fraudsters' ability to access the UK payment systems.
- prevent consumer harm by ensuring that PSPs invest in and put in place effective fraud prevention measures – across both CHAPS and Faster Payments.
- boost consumer confidence in the UK payments ecosystem.
- ensure financial incentives are aligned across systems and prevent the migration of fraud from Faster Payments to CHAPS (which we may have seen were we not to bring these requirements into effect).

## Confirming the requirements for 7 October 2024

- 2.13** CHAPS is a designated payment system under FSBRA. The Bank is the operator of CHAPS and retains responsibility for the system, including the CHAPS rules. This means it is the Bank's role to introduce a reimbursement requirement for CHAPS. The PSR's role is to support the Bank by using our powers under FSBRA to direct PSPs who participate in CHAPS to ensure that the CHAPS APP scam reimbursement requirement (and all related requirements e.g. data retention and reporting) apply consistently to all in-scope PSPs.
- 2.14** The Bank has published the CHAPS reimbursement rules, which contain the reimbursement requirement, and broadly aligned these to the Faster Payments Reimbursement Rules to the extent possible, allowing for nuances between the payment systems.
- 2.15** The Bank has also developed its own compliance monitoring regime for CHAPS, which it has sought to keep broadly consistent with the one Pay.UK has created for Faster Payments. The CHAPS data that PSPs will need to report to the Bank is set out in the CCDRS. We are working closely with the Bank on how it will share data with the PSR to support us to effectively monitor compliance with SD21 and on the process for any escalation of potential compliance issues. In order to ensure that the PSR is able to monitor compliance with SD21 effectively, we have included a provision that obliges in-scope PSPs to share with the PSR a copy of any report provided to the Bank if the PSR requires it.
- 2.16** **Table 1** provides an overview of how the CHAPS reimbursement requirement will be implemented. The key documents are:
- the CHAPS reimbursement rules which contain the reimbursement requirement, the supporting provisions for PSPs reimbursing victims of APP scam, and the requirement for 50:50 liability apportionment between the sending and receiving PSP.
  - the underpinning specific direction (SD21) given by the PSR to all in-scope PSPs, which includes provisions containing the reimbursement requirement, as well as an obligation to comply with the rules and report CHAPS APP scam compliance data to the Bank on a monthly basis.
  - a CCDRS which outlines the data and metrics that in-scope PSPs will need to submit. Compliance with the CCDRS is required for compliance with SD21.
- 2.17** We note that in implementing the CHAPS reimbursement requirement there is no CHAPS equivalent to Specific Requirement 1 (which requires Pay.UK to create the FPS reimbursement rules) or Specific Direction 19 (which requires Pay.UK to create and implement a compliance monitoring regime for the FPS reimbursement rules, which the PSR must approve) which apply to Pay.UK as the operator of Faster Payments. This is due to the differing roles and responsibilities of the Bank and the PSR in relation to CHAPS. As set out at 2.8 above, we are agreeing with the Bank how we will cooperate in respect of the CHAPS reimbursement requirement on an ongoing basis.



**Table 1: Overview of the CHAPS reimbursement requirement****Specific Direction 21 (SD21) under section 54 FSBRA 2013**

We are giving SD21 to in-scope PSPs who participate in CHAPS. This:

- contains the reimbursement requirement that requires in-scope PSPs to reimburse victims of CHAPS APP scams. The reimbursement requirement will also be contained within the CHAPS reimbursement rules. This approach ensures that the requirement applies to both direct and indirect PSPs in scope of the policy.
- directs in-scope PSPs to comply with the CHAPS reimbursement rules.
- directs in-scope PSPs to register with the Bank (the process for which will be managed by Pay.UK on behalf of the Bank).
- directs in-scope PSPs to respond to information requests from the Bank to support its effective monitoring of compliance with the CHAPS reimbursement rules.
- directs in-scope PSPs to comply with data reporting and retention requirements, and with the CCDRS.
- directs in-scope PSPs to, where required in writing, submit to the PSR copies of monitoring reports they have provided to the Bank.
- directs PSPs to inform consumers of their rights under the reimbursement requirement and reimbursement rules ahead of 7 October 2024, and to amend their terms and conditions as soon as practicable, though no later than 9 April 2024.
- directs indirect access providers (IAPs) to provide information about their indirect PSP customers to the PSR.

SD21 fulfils the same function as SD20, which applies to the Faster Payments APP scam reimbursement requirement, and has been aligned as far as possible with SD20. A key difference to note is that SD21 does not require in-scope PSPs to provide nil returns if they have not received any CHAPS APP scams claims in the relevant reporting period (whereas in Faster Payments, in-scope PSPs are required to notify Pay.UK if they have not received any claims in the reporting period).

**CHAPS Compliance Monitoring Data Standard (CCDRS)**

This document contains the data that PSPs within scope of SD21 are required to report to the Bank for compliance monitoring purposes. It is the equivalent of our Compliance Data Reporting Standard (CDRS) in the Faster Payments reimbursement policy.

The metrics that PSPs must report on are the same across CHAPS and Faster Payments, and reporting must be done via the method the Bank consulted on and has set out in the CHAPS reimbursement rules. This method is, at least initially, via email, and on a monthly basis. This information may be shared with the PSR to enable us to monitor compliance with SD21.

## CHAPS reimbursement rules

The Bank has added the CHAPS reimbursement rules as an annex to the CHAPS Reference Manual. They contain the reimbursement requirement, imported from SD21, as well as setting out that:

- the sending PSP must reimburse APP scam victims in line with the policy and must notify the receiving PSP of a claim within the specified period.
- PSPs share the cost of reimbursement (the 50:50 liability split), and the receiving PSP (each receiving PSP where there is more than one) must pay the sending PSP their share within the deadline set in the rules.
- victims of CHAPS APP scams must be reimbursed within 5 business days (or 35 business days if stop the clock has been used)
- the sending PSP may charge a claim excess – defined by the Bank – and deduct this from the amount reimbursed to the victim (but not where the consumer is vulnerable, and the vulnerability had a material impact on the consumer falling victim to the scam). The published rules currently set the excess at up to £100 per claim – aligned with the excess that is in place for Faster Payments APP scams reimbursement.
- the maximum level of reimbursement which the Bank sets within the reimbursement rules. The Bank has aligned with the maximum level of reimbursement in place for Faster Payments APP scam reimbursement. (See 2.18 below).
- A time limit for victims to claim – currently set at 13 months, and aligned with the time limit in Faster Payments APP scam reimbursement.
- The consumer standard of caution exception, with the consumer standard being the same as that applicable in Faster Payments.

The Bank has aligned its rules as closely as possible to Pay.UK's reimbursement rules. This will support delivery of consistent outcomes for consumers and support effective and smooth implementation for PSPs.

**2.18** As mentioned, the Bank is setting the level of excess and maximum level of reimbursement in the CHAPS reimbursement policy. This was consulted on at £415,000, and the Bank set it at £415,000 to align with the maximum reimbursement level in our FPS policy.

**2.19** We have recently published a consultation<sup>10</sup> on changing the level of the maximum level of reimbursement in FPS to the FSCS limit (currently £85,000). The Bank has indicated that, on balance, it considers that it would be appropriate to adjust the CHAPS maximum level of reimbursement if – following our consultation – this is the position we adopt for the initial maximum level of reimbursement for Faster Payments.

<sup>10</sup> CP24/11, [Faster Payments APP scams: changing the maximum level of reimbursement](#) (September 2024).

# 3 Consultation feedback, our analysis and final positions

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We recently consulted on SD21 and the proposed approach to implementing the CHAPS reimbursement requirement. We received responses from a range of stakeholders, including PSPs, wider industry and trade groups, consumer groups and other interested parties.

Overall, respondents broadly agreed with our proposals to expand our APP scams policy into CHAPS and were supportive of taking a consistent approach between the reimbursement policies across the two systems. We have considered all feedback received in reaching our final positions – including where we received some pushback or challenge from some respondents – such as on the policy start date and the need to ensure streamlined and not overly-burdensome reporting requirements.

In this chapter we provide an overview of the feedback received through consultation, and our view of it. We confirm:

- we are supporting the introduction of a CHAPS APP scam reimbursement requirement - by giving SD21.
- the policy will start on 7 October 2024, and in-scope PSPs are required to register with the Bank no later than 7 October 2024 (if they have not already been required to register under SD20 or have already registered).
- we will align the metrics, reporting and record-keeping requirements for the CHAPS reimbursement requirement with those for the FPS reimbursement requirement (but there will be no requirement to submit nil returns for CHAPS).

The Bank consulted on draft CHAPS reimbursement rules, which were published alongside our consultation, and which have been updated to reflect these final positions, as required.

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## Our proposals, an overview of the feedback received and our view

- 3.1** We received responses from a range of stakeholders, including PSPs, wider industry and trade bodies, consumer groups and other interested parties. Across all our proposals, respondents broadly aligned themselves with the response they had provided to our April consultation on the FPS APP scams reimbursement requirement: compliance and monitoring (CP24/3).
- 3.2** Respondents largely raised the same issues that they had raised in their consultation responses to CP24/3 (given our proposals to broadly align the requirements across the two payment systems) and referenced those consultation responses in their CHAPS response.

- 3.3** In light of this, in the next section we have provided a summary of any relevant issues also raised in response to CP24/3. PS24/3<sup>11</sup> contains a more detailed analysis of those issues and expands on the changes we made to the compliance monitoring regime in FPS as a result of the feedback received, together with rationale for both the changes and where we have maintained our position.
- 3.4** The feedback to our CHAPS consultation supported aligning our approach with that in Faster Payments, subject to the relevant changes being made to the Faster Payments monitoring regime. We have therefore not included the rationale for any changes to the CHAPS monitoring regime that were made to align with the changes in the Faster Payments monitoring regime, as these are covered in PS24/3.

### Following a similar approach to CHAPS implementation as that we have taken for Faster Payments

- 3.5** We proposed to implement a CHAPS reimbursement requirement through the PSR issuing a specific direction, and the Bank (as the operator of CHAPS) creating and implementing CHAPS reimbursement rules (which would form a part of the CHAPS Reference Manual).
- 3.6** Most respondents agreed with introducing a CHAPS reimbursement requirement (as they had in response to our July 2023 consultation (CP23/4)<sup>12</sup>, which was where we first sought views on our intention to do this). Respondents also agreed with the proposed approach of underpinning the CHAPS reimbursement rules with a specific direction from the PSR. We have published SD21 alongside this policy statement and the Bank has published [the CHAPS reimbursement rules](#).
- 3.7** All respondents agreed in with our proposal to align the approach to introducing the reimbursement requirement with that in Faster Payments, as far as this is possible, recognising the differences in the two systems.
- 3.8** Respondents who challenged specific aspects of the proposals or did not agree with them raised discrete issues with our APP scams reimbursement policy as a whole rather than our proposal to specifically expand reimbursement into CHAPS. For example, some respondents took the opportunity to further highlight their concerns about the operation of the consumer standard of caution, despite this not forming part of the consultation.
- 3.9** Respondents also raised further concerns about the detail of the excess, and the maximum level of reimbursement. Industry respondents proposed that the maximum level of reimbursement should be decreased, while consumer groups proposed that it should be increased. Some respondents also felt that the relatively higher average scam value in CHAPS compared to Faster Payments should be taken into account when setting these amounts.

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11 PS24/3, [The Faster Payments APP scams reimbursement requirement: compliance and monitoring](#) (July 2024)

12 CP23/4, [A new reimbursement requirement: Faster Payments APP scam reimbursement rules and operator monitoring](#) (July 2023).

**3.10** We note that for CHAPS, both the level of the excess and the maximum level of reimbursement are set by the Bank as the operator of CHAPS, rather than the PSR. These are contained in the CHAPS reimbursement rules for which it is responsible. The Bank consulted on these rules at the same time as the PSR's CP24/8 consultation. The Bank will keep these levels under review and, as mentioned in 2.19 above, has indicated it would adjust the CHAPS maximum level of reimbursement if – following our consultation – this is the position we adopt for the initial maximum level of reimbursement for Faster Payments.<sup>13</sup>

## Our view

**3.11** We have considered the feedback received. Given that there was broad support for introducing a reimbursement requirement into CHAPS, we are now confirming that we will give a specific direction (SD21) to all in-scope PSPs. As the CHAPS reimbursement rules otherwise only apply to direct participants, this approach will ensure that the CHAPS reimbursement requirement applies to all in-scope PSPs (both direct and indirect participants of CHAPS). In-scope PSPs are those which:

- participate in CHAPS.
- provide a relevant CHAPS account (as defined in SD21) in the UK, to their service users, which can send or receive payments over CHAPS.

**3.12** To remain consistent with Faster Payments, the above excludes credit unions, municipal banks and national savings banks. We have also clarified that financial market infrastructures (FMI) are not in scope, for the avoidance of doubt. FMI are the systems connecting PSPs that allow financial transactions to take place – meaning that they do not provide accounts to service users and therefore cannot provide relevant CHAPS accounts.

**3.13** The Bank faces similar challenges to Pay.UK in terms of its remit as a PSO, and the Bank's enforcement powers, in its capacity as the operator of CHAPS, are relatively limited and blunt. Giving a direction means that we can use our powers to take any regulatory action we may consider appropriate in line with our [Powers and Procedures Guidance](#), using the compliance data we receive from the Bank (and any other information we may use our powers to obtain) should there be any potential non-compliance with SD21. We have agreed with the Bank how we will cooperate in respect of CHAPS, and we are engaging on information sharing processes and procedures in respect of CHAPS APP scams compliance data.

**3.14** Furthermore, under regulation 90 of the Payment Service Regulations (PSRs) 2017, there is a presumption that liability for a correctly executed payment sits with the consumer rather than the PSP. The PSR may use certain of its regulatory powers (including its direction-giving power under s54 of FSBRA) to impose a "relevant requirement" which displaces that presumption in a case where a payment order is executed subsequent to fraud or dishonesty<sup>14</sup>. SD21 is such a relevant requirement, which acts to displace this presumption so that liability for APP scams can be attributed to PSPs under our CHAPS reimbursement requirement, and in line with the CHAPS reimbursement rules.

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<sup>13</sup> CP24/11, [Faster Payments APP scams: changing the maximum level of reimbursement](#), (September 2024)

<sup>14</sup> Section 72(11) Financial Services and Markets Act 2023

- 3.15** We have considered the feedback received on the consumer standard of caution, which echoes the feedback we received as part of our earlier policy consultations in 2023<sup>15</sup>. Throughout the development of the policy, including the consumer standard of caution, we have engaged extensively with stakeholders and considered all consultation responses and evidence received. Adopting the same approach for CHAPS and Faster Payments will deliver consistency for consumers across the payment systems and we are therefore content to proceed with this requirement, in order to drive this outcome.
- 3.16** We will continue to work with industry as part of our post-implementation evaluation of the reimbursement requirement across Faster Payments and CHAPS to observe whether the policy is operating as intended and keep it under review.

### CHAPS reimbursement policy start date

- 3.17** We proposed to align the start date of our Specific Direction with the start date of the Bank's CHAPS reimbursement rules. As previously outlined, ensuring users are sufficiently protected is one of our strategic priorities and this aligns with the Bank's desire to ensure that consumers of CHAPS have equivalent protections to those using Faster Payments, and that these protections are introduced contemporaneously. We proposed an implementation date of 7 October, aligned with the start date for Faster Payments.
- 3.18** The majority of respondents supported the proposed objective of aligning CHAPS and Faster Payments, including the start date. A few PSPs expressed concerns around the proximity of our consultation to the proposed start date – i.e., that there would be only a short space of time between confirmation of the requirements and when they would come into effect. These respondents also noted the risks of a significant number of obligations and deliverables coming into effect at once, when considering the Faster Payments and CHAPS requirements together.
- 3.19** A few PSPs expressed concerns about their reliance on Pay.UK for the successful implementation of the APP scams policy, and that delaying the implementation in CHAPS would 'de-risk' the implementation of the Faster Payments reimbursement requirement.

### Our view

- 3.20** We confirm the start date of the reimbursement requirement is 7 October 2024. This is the same date that the CHAPS reimbursement rules will come into effect, ensuring the CHAPS reimbursement rules apply to both direct and indirect participants from the day they take effect. The majority of respondents supported this outcome, and it will ensure consistency for consumers across Faster Payments and CHAPS.
- 3.21** As outlined in our CHAPS consultation, ensuring consumers are sufficiently protected when using the UK's payment systems is a strategic priority for us. The Bank also wants to ensure that CHAPS consumers have equivalent protections to Faster Payments.

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15 CP23/7, [APP fraud: The consumer standard of caution](#) (August 2023)

- 3.22** We have considered the feedback we received from a few respondents in respect of the proximity between the confirmation of the requirements and when they will come into effect. We recognise that PSPs will have less time between the publication of SD21 and its start date than they have between the publication of our package of legal instruments for Faster Payments, and the Faster Payments reimbursement requirement policy start date.
- 3.23** Despite this, we consider that the date of 7 October 2024 is reasonable and proportionate. Much of PSPs' work preparing for the Faster Payments reimbursement policy will support the preparations for CHAPS. For example, the requirement to register, prepare effective consumer communications to support claim assessments, and effective processes to ensure effective record keeping and data reporting. In addition, we understand that most PSPs have a single fraud team who will deal with both Faster Payments and CHAPS APP scam claims. We also note that we did not receive significant pushback on the proposed date that would justify any change, with many respondents supporting the 7 October 2024 proposal.
- 3.24** We also do not consider that the policy start date for CHAPS will impact Pay.UK's ability to continue to focus on delivery of the Faster Payments reimbursement requirement. There is no reliance on Pay.UK to deliver the CHAPS APP scams reimbursement requirement, the components and deliverables for which are outlined in Table 1 above.
- 3.25** Whilst there is Pay.UK involvement in operating the directory which will include both Faster Payments and CHAPS, there is no indication that the registration of in-scope CHAPS participants will result in a disruptive burden to Pay.UK's implementation of the Faster Payments reimbursement requirement. Our analysis of this is set out in the next section.

### Requirement to register

- 3.26** We proposed to require all in-scope PSPs to register by providing the details set out in the Bank's CHAPS reimbursement rules. We set out that the purpose of this proposed requirement is to enable CHAPS participants to identify themselves as in-scope of the policy and for their details to be included in the same directory as for FPS which will be managed by Pay.UK. In our consultation, we did not set a date by which PSPs are required to register. We note that Faster Payments participants were required to register by 20 August 2024.
- 3.27** As we set out in our consultation and draft specific direction, a PSP would only need to register once. We proposed that if a PSP is both a CHAPS and Faster Payments participant and is already caught by the requirement to register under SD20, then they would not be required to separately register as a CHAPS participant.
- 3.28** We did not receive any specific feedback on this proposal, other than respondents expressing broad support for ensuring we avoid duplicative regulatory burdens where possible and streamlining the requirements placed on directed PSPs, which is applicable to this particular proposal.

## Our view

- 3.29** We confirm the requirement to register, as consulted upon, and we consider that the position we are taking will help manage the regulatory compliance burden on PSPs and streamline requirements. We are confirming the position that:
- if an in-scope CHAPS participant is already required to register by virtue of being captured by the provisions in SD20 requiring them to register, then the requirements in SD21, in respect of registration, do not apply to them. We have made this position clear in SD21.
  - any firms who are in-scope CHAPS participants, but not captured by SD20, are required to register in line with the CHAPS reimbursement rules and SD21.
  - new entrants to the market who begin to participate in CHAPS and provide relevant accounts after SD21 is given are required to register before they send or receive live transactions over CHAPS.
- 3.30** The CHAPS reimbursement rules contain the data that in-scope PSPs will be expected to provide when registering.
- 3.31** We note that the CHAPS reimbursement rules require registration ahead of 7 October. In order to align with these rules, we have made provision for a registration date in SD21 which is 'as soon as practicable and no later than 7 October 2024'.
- 3.32** While we recognise that this confirmed date is the same date as the policy start date, our engagement with the Bank indicates that we are not currently aware of any PSPs unambiguously in scope of the CHAPS reimbursement requirement who are not also Faster Payments participants.
- 3.33** This means that the vast majority PSPs in scope of the CHAPS reimbursement requirement will already have been required to register (and should have done so) by 20 August 2024. A date of no later than 7 October 2024 recognises the need to place a clear obligation on PSPs subject to this obligation, should we become aware of any PSPs not already covered by SD20. We have made it clear in SD21 that CHAPS participants only need to register in line with SD21 if they have not already been required to register to comply with SD20.

## Aligning reporting standards in CHAPS with FPS

- 3.34** We proposed to align the reporting standards and frequency of reporting between Faster Payments and CHAPS and cross-referenced CP24/3 in our consultation, which provides the detailed rationale and analysis of the proposed approach.
- 3.35** Most respondents agreed that we should align the reporting standards (A and B) between CHAPS and Faster Payments, agreeing that this would be pragmatic and would limit the operational and technical impact on PSPs. Aligned with their responses to CP24/3, respondents felt that the proposal of 30 days for any changes to the CCDRS to come into effect following confirmation was insufficient, and that this period should be at least 90 days to ensure PSPs can effectively implement the changes.
- 3.36** Respondents were strongly supportive of our proposal not to require nil reporting for CHAPS.



- 3.37** There was strong pushback to some elements of the proposed reporting requirements within the Faster Payments CDRS in CP24/3. This is set out in 5.29 – 5.65 of that publication. Respondents who supported the proposed CHAPS approach, said that their support was subject to changes being made to the Faster Payments reporting standard, including on:
- the proposal that respondents be required to retain all reporting standard B data while only reporting on a limited subset (reporting standard A) which respondents felt would be disproportionate.
  - which consumer issues were required to be included in regular reporting – expressing concerns about the ability and impact on PSPs if all consumer issues (i.e. even those that are unambiguously not in scope of the policy) are required to be included in reporting.
- 3.38** Some respondents questioned the merit of implementing CHAPS monitoring from the policy start date, given the low volume of payments that will be in scope of the reimbursement requirement, requesting forbearance on CHAPS reporting until reporting can be done via a system (rather than manually).
- 3.39** Some respondents also suggested that the Bank and the PSR should consider forbearance around what they termed ‘less material’ elements of compliance monitoring for CHAPS and suggested a focus on the core policy outcomes of consumer reimbursement, given the risk of flaws in data reporting to the Bank due to its manual nature.

## Our view

- 3.40** In SD21 we confirm:
- the contents of both reporting standards A and B.
  - that only reporting standard A data must be retained for the period that reporting standard A is in place.
  - the final CCDRS (published alongside this policy statement) is aligned with the CDRS for Faster Payments (and the changes to the metrics we made to the CDRS, as set out at 5.28 of CP24/3 have been made to the CCDRS).
  - that reporting standard A will be in place from 7 October 2024 and that we may, in future and subject to a further consultation, bring reporting standard B into effect for CHAPS.
  - that the reporting boundary for CHAPS is the same as the confirmed reporting boundary for Faster Payments. This means that claims that are unambiguously not in scope of the CHAPS reimbursement requirement are not required to be reported to the Bank (see 5.11 of CP24/3 for more detail).
  - that in-scope PSPs must use the method specified by the Bank in its rules to report data to the Bank, and that such reporting must be done monthly on claims closed in the relevant reporting period.
  - that the first report is due on 6 January 2025 and must cover the period 7 October – 30 November 2024.
  - that in-scope PSPs are not required to submit nil returns if they have not received and closed any claims in the relevant reporting period, as this would not be proportionate given the likely low volume of claims in CHAPS as compared to those in Faster Payments.

- that any changes to the CCDRS will come into effect no sooner than 90 days after they have been confirmed in writing (such as on the PSR's website). This is aligned with the approach we have taken to Faster Payments.

**3.41** We also confirm that in SD21 we have aligned the data reporting requirements to those for Faster Payments. That means that for the period that reporting standard A is in place, PSPs must report this data to the Bank monthly, using the method specified by the Bank in its rules (which is via email). We have removed requirements for contingency arrangements as reporting is to be undertaken using the method specified by the Bank in its rules. We have not provided for a reasonable alternative method (as we have for Faster Payments) because it is the Bank that sets the method rather than the PSR, and the Bank has duly consulted on its proposed approach.

**3.42** In-scope PSPs are however not required to collate and retain the data specified in reporting standard B while A is in place, as we recognise that this would place a disproportionate burden on PSPs. To be clear, in-scope PSPs must comply with the record keeping requirements in the CCDRS regardless of which reporting standard is in place – these are aligned with the requirements in Faster Payments and have been included in the published CCDRS. While we had not published these proposed requirements alongside with CP24/8, we are content that our intent to require PSPs to comply with record-keeping requirements, aligned with Faster Payments, was set out clearly in our consultation and was supported by respondents.

**3.43** We are content that these requirements are reasonable and proportionate and effectively manage the reporting burden on PSPs. The confirmed requirements will ensure that the Bank has the minimum necessary data to effectively monitor compliance with the CHAPS reimbursement rules, and the PSR with SD21.

**3.44** We have also included a provision within SD21 that obliges in-scope sending PSPs to, where required in writing by the PSR, to submit copies of monitoring reports they have provided to the Bank. In relation to our Faster Payments reimbursement requirement, Pay.UK are required under SD19 to provide the PSR with information, including relevant data and information to inform the PSR's approach to compliance monitoring. There is no comparable requirement on the Bank and we have therefore included this provision to ensure that the PSR can obtain monitoring information from PSPs including to monitor compliance with our direction. The PSR also has available its powers under FSBRA, such as our information gather powers under section 81, to gather information if required.

**3.45** We have considered the feedback received that we should not require monitoring from the policy start date, and that we should only require PSPs to report data once a system which enables automated reporting is in place. We consider that we have taken a fair and proportionate approach to reporting, including accounting for the impact of manual data collation and reporting from the policy start date.

**3.46** The first report for CHAPS is not due until 6 January 2025 (aligned with Faster Payments). We are content to retain these requirements because we have accounted for the fact that there are a lower volume of CHAPS APP scams than Faster Payments, by not requiring nil returns. This ensures the approach is reasonable and proportionate for CHAPS – and aligns with the reporting requirements the Bank has set out in the CHAPS reimbursement rules. Our approach therefore ensures the requirements are consistent across direct and indirect CHAPS participants.

- 3.47** We also note the request for forbearance until all PSPs can use a system for automated data reporting. We are content to proceed as planned with manual reporting. Both the PSR and the Bank have consulted on this requirement and did not receive substantial or material feedback on this proposal, with the majority of respondents content with the proposal for manual data reporting on core compliance metrics.
- 3.48** We are content that this sufficiently responds to the feedback received through CP24/8, insofar as aligning the reimbursement requirement in CHAPS with that in FPS to reduce unnecessary additional burdens on PSPs and assist them with streamlining their internal procedures for complying with the reimbursement schemes.
- 3.49** In addition, we are content that the alignment of the CHAPS monitoring regime to the updated Faster Payments monitoring regime addresses the feedback received from PSP respondents who referenced their concerns to our proposals in CP24/3.

### Clarifying a consumer's right to reimbursement

- 3.50** We presented two options for clarifying the consumer's right to reimbursement:
- a. making provision within the specific direction to require PSPs to amend their contractual terms and conditions to include a provision that a PSP would reimburse their consumers in line with the CHAPS reimbursement requirement and rules.
  - b. making provision in the proposed specific direction to make it explicit that if a sending PSP fails to reimburse a consumer as required by the CHAPS reimbursement requirement and rules, the consumer will have a right to seek redress pursuant to the CHAPS reimbursement requirement and rules and recover the outstanding amount from their sending PSP in the civil courts.
- 3.51** Most respondents referred to their response to CP24/3 to this question. We provide a more comprehensive summary of the responses in PS24/3 Faster Payments APP scams reimbursement requirement: compliance and monitoring (see paragraphs 8.1 – 8.14). Some included key concerns and views that:
- the proposals went beyond the PSR's duty under Section 72 of the Financial Services and Markets Act 2023 (FSMA 2023).
  - the proposals would result in increased claims management company activity and lead to worse outcomes for consumers.
  - the proposal to amend terms and conditions would not be possible by 7 October 2024, and that this was a costly change that would place an undue administrative burden on PSPs.

## Our view

**3.52** We confirm the same position for CHAPS as we have confirmed for Faster Payments. Our full rationale is set out from paragraph 8.7 of CP24/3. Specifically, that the right for consumers to appeal to the Financial Ombudsman Service or the courts is an important mechanism to deliver fair and consistent reimbursement outcomes for victims of APP scams. For completeness, the final position which is contained within SD21 is:

- all directed PSPs capable of being a sending PSP which provide relevant accounts to consumers are required to amend the terms and conditions of their contracts with consumers to include a provision that a PSP will reimburse their consumers in line with the CHAPS reimbursement requirement and rules.
- while we expect PSPs to make these changes as soon as is practical. We have given them until 9 April 2025 to make them.
- PSPs must notify consumers of their rights to be reimbursed in line with the CHAPS reimbursement requirement and rules. This means that when PSPs notify consumers of the reimbursement policy, we expect them to explain that their terms and conditions will be amended by 9 April 2025.
- PSPs must take steps to notify consumers of their rights, in line with how they would notify them of changes to any other service.

**3.53** To avoid placing duplicative regulatory burdens on PSPs through SD21, where they are already compelled to inform consumers of their rights in SD20, we have taken a moderated approach:

- Where a PSP has not yet informed its consumer of their rights under provision 5.1 of SD20 (July 2024), by the time SD21 comes into force, they must do so for CHAPS at the same time as they do for FPS and can do so in a single communication if they prefer.
- Where a PSP has already informed its consumers of their rights under provision 5.1 of SD20 (July 2024), they must inform their consumer as soon as practicable, though no later than two months before the date on which they make changes to their consumer contracts as required by provision 6.1 of SD21.

**3.54** We consider that the policy is sufficiently flexible to enable PSPs to manage this in a way that is appropriate for their customers. We do not prescribe a single method which firms must use to communicate this update to their customers, but consumers must understand both their reimbursement rights and the accompanying rules.

**3.55** There is no requirement for PSPs to notify consumers of the change in service through a notice of variation (notwithstanding the obligation on firms to amend terms and conditions by 9 April). PSPs are not prohibited from exploring alternative methods of communication, but they would need to be comfortable in justifying their reasons for not communicating in the 'same manner' as they would normally notify consumers of other changes to services. It is for PSPs to determine the most appropriate way of communicating the requirements, noting their obligations under the FCA's Consumer Duty. If this includes alternative methods of communication, PSPs must ensure that their method of communication is accessible and appropriate for all their customers, including non-digital customers and those with specific needs.

- 3.56** It is important that these categories of customers are not left behind when it comes to understanding their rights. On 1 August 2024, we published [APP scams reimbursement information on consumer communications for PSPs](#) to act as a useful resource for PSPs. In that document, we reiterated our intention that PSPs should have the flexibility to communicate with their consumers in ways which reflect their business model and existing approach. We also noted that PSPs should continue to have regard to FCA Consumer Duty requirements and any other relevant regulatory obligations. While this focuses on the Faster Payments reimbursement requirement, the information within it is also generally applicable to CHAPS. We expect that in many cases, PSP compliance with the requirement at 5.3 and 5.5 of SD20 is likely to deliver compliance with the equivalent requirement in SD21 providing the communications are sufficiently broad to cover both CHAPS and Faster Payments.
- 3.57** We also confirm that we have removed the provision in SD21 that we consulted on that stated that the PSR would publish guidance on the information that PSPs would need to provide to their customers in order to comply with the requirements set out in this section. The reason we have removed this requirement is because we [have already published additional information](#) to support compliance with this provision in Faster Payments and we are content that this information is generally applicable to CHAPS. We will keep the need to provide any further information or guidance under review and may do so if we consider it necessary and appropriate to do so.

### Information management and record-keeping

- 3.58** We proposed to align the information management and record-keeping requirements, including the proposed information retention period, for CHAPS with those proposed in Faster Payments.
- 3.59** The majority of respondents to our CHAPS consultation agreed with our proposal to align the information management and record keeping for CHAPS to Faster Payments, providing that their feedback on the Faster Payments proposals was also considered and suitably addressed in respect of the final position for CHAPS.
- 3.60** Specifically, most PSP and trade body respondents disagreed with the proposal that all CCDRS data is retained while reporting is only required on a more limited set. Respondents also referenced their responses to CP24/3 where they had set out that there needed to be additional flexibility in the time period that PSPs should be required to retain data (i.e. it should be required to be kept for at least five years, rather than five years exactly).
- 3.61** One trade body and a few PSP respondents also felt that the record-keeping proposals were expansive, and not all were sufficiently clear. Specifically, these respondents felt that the requirement to retain 'all other relevant information' in the record-keeping section of the draft CCDRS was not a sufficiently clear requirement.

## Our view

- 3.62** Having taken into account the views, we confirm that all PSPs in scope of the CHAPS reimbursement requirement must:
- retain the data and information that the CCDRS requires them to collate, retain and report to the Bank for a period of at least five years
  - take appropriate and reasonable steps to assure themselves as to the accuracy of the data and information relevant to the CHAPS APP scam claim before providing it to the Bank
  - provide timely, complete and accurate responses to reasonable and proportionate requests for information from the Bank that are appropriately scoped, having regard to the timeframe for the response.
- 3.63** The final requirements align with Faster Payments, and in setting these we have taken into account all feedback considered as part of CP24/3 and CP24/8. Specifically, we have provided additional flexibility around the time that PSPs must retain data (which is now *at least* five years) and clarified the record-keeping requirements so that they are clear and able to be complied with. Specifically, we have clarified that 'decision-making records about individual FPS APP scam claims, including the final decision and accompanying rationale for making that decision' must be retained.
- 3.64** We are content that the record-keeping requirements are reasonable and proportionate. They will deliver alignment between the record-keeping requirements in Faster Payments and those we are now confirming for CHAPS. As we set out in PS24/3 in Chapter 6, it is important that PSPs keep accurate records of their communications with their customers, and of the outcomes of decisions. This will ensure that the Bank and the PSR can effectively monitor compliance. We expect the majority of PSPs to already be collating and retaining this information e.g. records of their engagement with their customers.
- 3.65** We have amended SD21 to make it clear that PSPs are only required to respond to information requests from the Bank where the Bank has a reasonable belief that there is a potential compliance issue, or reasonable likelihood of a future non-compliance, and has been provided with the basis for the request. This aligns with the requirements for Faster Payments and ensures appropriate limits are in place in respect of when PSPs are required to respond to the Bank, to effectively manage the operational burden on PSPs whilst supporting the Bank to be able to effectively monitor compliance.

## Indirect Access Provider List

- 3.66** We proposed including an obligation for all Indirect Access Providers (IAPs) to provide the PSR with details of indirect PSPs to whom they provide access to CHAPS. This would be on an annual basis starting from 31 March 2025, which is aligned with the anniversary of the same obligation under SD20 for IAPs in FPS to do the same. As with the obligation under SD20, IAPs would also be required to provide the PSR with an update containing any changes to the list of their indirect PSPs on a monthly basis. Where there are no changes to the list, the IAP would not need to provide the PSR with an update.
- 3.67** Some respondents felt that indirect access providers should not be required to provide an annual list of their indirect customers and that the PSR should seek to obtain this information from other sources.

- 3.68** One respondent also noted that the proposed date of 31 March 2025 is after the proposed policy start date for the CHAPS reimbursement requirement, and therefore there is a risk of a data gap.

### Our view

- 3.69** We have considered the feedback received in respect of the proposed requirement for indirect access providers to inform the PSR of any indirect PSP customers they provide access to.
- 3.70** We consider that this ongoing obligation is important for the same reasons it is important in Faster Payments – the PSR, the Bank and Pay.UK having an up-to-date list of PSPs in scope will help ensure that Pay.UK’s directory remains current and will support smooth implementation of the policy across CHAPS and Faster Payments.
- 3.71** As with Faster Payments, we will share this list with the Bank so it understands who could be in scope of the reimbursement policy. The information in this list could also be used by PSPs to contact each other, and therefore discharge their obligations on informing each other of the perpetration of APP scams.
- 3.72** We also considered the risk raised of a data gap between 7 October 2024 and 31 March 2025. However, we consider this risk is low as all in-scope PSPs are required to register prior to the policy start date which will help ensure a current list of those in scope of the policy. In addition, we are engaging with the Bank as it seeks to identify all those potentially in scope of its rules following receipt of information from indirect access providers. It has not to date identified any in-scope PSP who is solely a CHAPS participant (so all these PSPs should already be covered by the requirement we have confirmed in SD20). In addition, the 31 March 2025 date enables any in-scope PSP required to report under both Faster Payments and CHAPS to submit a single, combined report where appropriate to do so. This will effectively manage the operational compliance burden.
- 3.73** We have therefore confirmed this requirement, as consulted upon, in the final SD21 published alongside this policy statement.

### Minor amendments to the CCDRS

- 3.74** We have made minor amendments to the CCDRS to respond to feedback received through CP248 and CP24/3 on the specific metrics we proposed under reporting standards A and B. In their responses to CP24/8, respondents generally referred us to their more detailed feedback to CP24/3.
- 3.75** These changes ensure that the metrics are consistent across Faster Payments and CHAPS. These are set out at Table 2 below.

**Table 2: CCDRS amendments**

<b>Proposal within the CCDRS</b>	<b>Our consideration of feedback received through CP24/3 and CP24/8, and the final metrics</b>
<b>Scam type data (draft metric 1.2)</b>	We proposed to require provision of scam-type data under reporting standard B. We received feedback that it would be difficult for all PSPs to operationalise this requirement without clear definitions. We have removed this metric from the CCDRS and may reconsult on its inclusion at a later date.
<b>Receiving PSP responds to information requests from the sending PSP in a 'timely manner' (draft metric 4.2)</b>	We have not made any changes to the CCDRS as we have specified that it is for the Bank, as operator of CHAPS, (and Pay.UK as operator of Faster Payments) to define what a timely manner is in its rules, as this is an operational matter.
<b>'International payments' as a reason code for rejection (draft metric 2.3(i)(v))</b>	We have not made any changes to this metric as there may be circumstances in which a transaction appears to a sending PSP at first triage to be domestic, but information from the receiving PSP determines that it is an international payment.
<b>Total value of FPS APP scam claims where an excess was applied (draft metric 6.1)</b>	We have removed this metric from reporting standard B as any metric would need to look at the average excess applied, and we do not consider that this metric demonstrates a firm's compliance. We will keep this under review.
<b>Total value of repatriated funds and proportion of claims where the repatriated amount has been apportioned between sending and receiving PSP (draft metrics 9.3 – 9.5).</b>	Each of the metrics to be reported is in respect of 'CHAPS APP scam claims in the reporting period that are deemed in scope for assessment'. We are content that this metric is sufficiently clear that any repatriation to be included in reporting is only that which has taken place in the relevant reporting period – irrespective of whether the claim itself was closed in a different reporting period.



## Hybrid claims

- 3.76** We have been working closely with the Bank to implement the CHAPS APP scam reimbursement requirement in line with our respective roles and responsibilities. Through this engagement, it has become clear that the Bank as the operator of CHAPS, and Pay.UK as the operator of Faster Payments, will need to use their respective toolkits to set out how they will operationalise the APP scams reimbursement requirement where claims contain both Faster Payments and CHAPS transactions. This could include their rules, guidance, or any other means as they see fit.
- 3.77** We have not made any specific provision in respect of hybrid claims in SD21 as we consider that it is for the operators of CHAPS and Faster Payments to consider how to most effectively operationalise any hybrid claims. While we consider that such claims are likely to be rare, it is important that there is sufficient clarity on them. We will keep the need to take any regulatory steps or action on these under review.

# 4 Proportionality and cost benefit analysis

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We have published an updated and final cost benefit analysis (CBA) which considers the costs, impacts and benefits of the requirements we are confirming through this policy statement and the accompanying legal instrument, SD21.

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## Cost benefit analysis

### Our proposal

- 4.1** In our [draft cost-benefit analysis](#) we set out our view that a reimbursement requirement for CHAPS would provide substantial overall benefits to consumers. We have set out the rationale for the approach we are taking in this policy statement.
- 4.2** To support in implementing the CHAPS APP scam reimbursement requirement, we are now directing in-scope CHAPS participants to reimburse their consumers who fall victim to a CHAPS APP scam. Our direction will support effective implementation of the Bank's CHAPS reimbursement rules which contain the detailed parameters of the policy.
- 4.3** Our direction is closely aligned with SD20 in Faster Payments, and the Bank's reimbursement rules are aligned with Pay.UK's reimbursement rules to the extent possible. This approach is intended to deliver consistent and effective consumer outcomes across CHAPS and Faster Payments in respect of APP scams.
- 4.4** As the Bank's CHAPS reimbursement rules only apply to direct participants, we are overlaying the reimbursement rules with a specific direction to all in-scope PSPs. In our consultation we noted that we expect the policy to work principally by providing incentives for both sending and receiving PSPs to:
- improve their detection and prevention of APP fraud
  - cooperate more effectively in preventing APP fraud
  - more effectively pursue and recover lost funds to reduce PSPs' own costs in reimbursing victims.
- 4.5** We also stated that our baseline scenario was based on existing APP scam interventions remaining in place – including the publication of APP fraud data, the Faster Payments reimbursement requirement (which will be in place from 7 October 2024), and the expansion of CoP checks. We also assumed that our planned work on increasing intelligence sharing will be in place and having an impact from late 2025.
- 4.6** In respect of the data reporting proposals, we noted that the provision of quality data to the Bank is critical to ensuring CHAPS consumers are being reimbursed under the policy, and in enabling effective compliance monitoring.

- 4.7** We believe that the CHAPS reimbursement rules will create incentives for firms to prevent fraud migrating over to CHAPS, increase recoveries, reduce the incidence of fraud on CHAPS, and increase investment in fraud prevention. More consumers will be reimbursed for APP fraud sent over CHAPS and the policy will bring about consistency and certainty for victims of APP fraud across PSPs and payment channels.
- 4.8** The policy will also likely cause PSPs to incur costs related to increased investment in fraud prevention and administrative costs of implementing the policy. However, these costs are often one-off costs that may materialise mostly in the early phases of the policy, particularly the costs to PSPs of increased investment in fraud prevention and in enhanced cooperation with other PSPs in tackling fraud and pursuing defrauded funds. We have also considered that the policy could potentially lead to more payments being queried, delayed or even declined or reduce competition and innovation over CHAPS. We have assessed these risks in paragraphs 1.80 to 1.84 of the CBA, and concluded the risk of these potential costs are low.
- 4.9** One of our overarching objectives of this policy is to significantly reduce APP fraud. Adopting an approach for CHAPS which is consistent with the reimbursement requirement for Faster Payments will give customers greater protection, ensuring that most victims will be reimbursed. The policy will also place incentives on banks to improve detection and prevention. We explain the causal chain of how the policy will achieve these objectives in paragraphs 1.1 to 1.4 of the CBA.
- 4.10** If there is no mandatory CHAPS reimbursement requirement for CHAPS APP scams, there is a risk that fraud could migrate from Faster Payments to CHAPS. Consumers would continue to face inconsistent outcomes when they are victims of an APP scam sent over CHAPS. Many customers may not know the difference between the payment systems they could use to make a bank transfer and so keeping the reimbursement rules the same for both systems will bring greater certainty and consistency for victims of APP scams.
- 4.11** We have considered the costs of overburdening CHAPS participants, who currently have low levels of APP fraud, with reimbursement and reporting requirements. To reduce any disproportionate burden on these firms, the reporting requirements have been appropriately adjusted for CHAPS as explained in paragraph 4.21.
- 4.12** The Bank has also aligned the CHAPS reimbursement rules to be consistent with Pay.UK's FPS reimbursement rules, to the extent possible. We believe that the Bank's CHAPS reimbursement rules to be the least intrusive means to achieve the overarching objective of the policy. Given the conservative assumptions used in the cost benefit analysis of this policy, we consider the cost categories to all be "low" and conclude that the benefits of our policy are likely to substantially outweigh the costs.

## Feedback we received

- 4.13** The majority of respondents agreed with the expansion of an APP scam reimbursement requirement into CHAPS. Some respondents raised specific issues in relation to the analysis which is set out in full in the CBA. This included:
- that extending the reimbursement requirement to CHAPS would likely have a disproportionate impact on smaller PSPs who may not be able to absorb the additional costs associated with the proposals (and who may therefore increase costs to consumers)
  - questioning whether having the same policy parameters for CHAPS (specifically the excess, maximum level of reimbursement) would not act as an effective deterrent from moral hazard
  - the potential understatement of costs and overstatement of increased APP scam funds recovery
  - that the costs associated with meeting the data reporting requirements have been underestimated, particularly in respect of their impact on smaller PSPs.
- 4.14** Several respondents also set out their view that while the CHAPS APP scam reimbursement policy will increase consumer protections, enablers of fraud play a key role in preventing scams and PSPs cannot do this alone.

## Our view

- 4.15** We are content that our policy proposals are reasonable and proportionate and that our analysis accurately reflects the costs, benefits and impacts of the proposals, based on the information available. We are content that we have undertaken a proper and appropriate assessment of the costs, benefits, risks and impacts of our proposals, and that stakeholders have been able to meaningfully consider and provide input on them.
- 4.16** It remains our view that the benefits of the policy will outweigh the costs and deliver necessary consumer protections. We have responded to the feedback received in detail in paragraphs 1.33 to 1.45 of the CBA.
- 4.17** We do not share the view that the costs of the CHAPS APP scam policy requirements will fall disproportionately on smaller PSPs – particularly given that the number of CHAPS APP scams is very low – with 449 reported in 2023. In our view, the policy will provide PSPs with incentives to take steps to prevent CHAPS APP scams and reduce the risk of fraud migration from Faster Payments to CHAPS.
- 4.18** We recognise that in the short-term our policy is likely to result in an increase in the volume of reported APP fraud. While this may result in an increased operational cost to some PSPs to manage and assess these claims, it will also mean that victims who previously suffered a financial loss are more likely to report the scam and obtain reimbursement, in line with the policy.
- 4.19** We note that while the excess is an effective means to curtail moral hazard for lower-value APP scams, the excess could be less effective in preventing moral hazard for higher-value scams sent over CHAPS. However, we believe that the inclusion of a consumer standard of caution (set by the PSR) and an excess and a maximum claim limit (set by the Bank) will help maintain an appropriate role for customer caution.

- 4.20** The Bank is responsible for setting the maximum level of reimbursement and the level of excess in its CHAPS reimbursement rules. The PSR is supporting the Bank by issuing SD21. The Bank's parameters are currently aligned with those for Faster Payments to deliver consistency for consumers but we note the Bank could decide to change these at a future date.
- 4.21** Further, we do not agree that the cost of manual reporting of CHAPS APP scam claims will be more onerous on smaller PSPs. In setting the reporting requirements, we have sought to align the requirements as closely as possible to Faster Payments, to deliver consistent reporting across the two payment systems. However, we also considered the differences in the two systems and the prevalence of APP scams over CHAPS. We have therefore not required PSPs to submit nil reports for CHAPS if they have not received any reportable claims in the relevant reporting period.
- 4.22** PSPs should put effective protections in place and can take many actions to prevent APP fraud, such as introducing more effective warnings when customers are making payments. Recognising that many victims are socially engineered into being scammed, we are adopting policies for CHAPS reimbursement that are consistent with the Faster Payments reimbursement rules.
- 4.23** While there are a number of steps PSPs can take to detect and prevent APP fraud, we do recognise that PSPs cannot alone prevent scams from taking place. We agree that there is a need for further action to be taken on platforms (online, tech and telecommunication) that play a role in purchase and other types of scams. We are working with firms to understand which entities outside of the payments sector are acting as enablers of fraud and will publish the data from this exercise in 2024.

## Equality Impact Assessment

### Our assessment

- 4.24** We published a draft Equality Impact Assessment alongside our consultation. When we published the consultation, we set out that as a result of the policy there should be fewer victims of APP scams across all demographics, and this would be a positive impact for all consumers.
- 4.25** We have also considered the needs of vulnerable consumers in development of the policy, and consumers who are considered to be vulnerable are exempt from the consumer standard of caution exception and the claim excess.
- 4.26** We set out that overall we expect our proposals to have a positive impact on consumers who use CHAPS, including those with protected characteristics – because the measures should reduce the risk of consumers becoming victims of APP scams and increase the likelihood of reimbursement if they do. Since vulnerable consumers are more at risk of falling victim to APP scams, and because there is significant overlap between vulnerable consumers and those with certain protected characteristics, we consider that our proposals will contribute to advancing equality of opportunity.

**4.27** Our assessment was that:

- there are no groups with protected characteristics that will be specifically disadvantaged from these measures (and we have taken steps to ensure that the most vulnerable groups are not negatively impacted by the policy)
- PSPs must consider the FCA Consumer Duty and their obligations under it, when implementing the policy
- while there is a risk that some vulnerable consumers could be de-banked by PSPs if perceived to be at too high a risk of becoming a victim of APP fraud, we will make it clear to PSPs that in any decision to implement our proposed measures they must ensure that the needs of people with disabilities, the elderly and other groups who may have protected characteristics
- we will use our post-implementation review to monitor and understand whether any risks have materialised in respect of de-banking, any groups being disproportionately impacted by the policy in respect of 'stop the clock' or 'gross negligence' or the excess driving excessive caution.

### Feedback we received

**4.28** All respondents who answered this question welcomed the publication of an Equality Impact Assessment (EIA) and an acknowledgement of the risks associated with the policy and the approach that the PSR and the Bank are taking to put specific protections in place for vulnerable consumers.

**4.29** Some of the issues raised by respondents in respect of the EIA included that:

- additional friction or delayed payments as a prevention measure may make payment journeys more challenging for some consumers, creating the unintended consequence of pushing consumers towards more traditional payment methods or adding to consumers' general feeling of isolation.
- repeat victims of scams may find it harder to access normal retail banking products
- some consumers (particularly those who may be considered vulnerable) may change PSP, to their detriment, if they see interventions or warnings as intrusive
- the risk of increased Claims Management Company (CMC) activities if consumers are able to pursue a right to reimbursement through the civil courts.

## Our view

- 4.30** We have considered the issues raised by respondents, and do not consider that any changes are required to the EIA as consulted upon. We are content that we have appropriately considered the impact of the policy with regards to the matters set out in section 149 of the Equality Act 2010 (the Act).
- 4.31** We have not been provided with any evidence to suggest that some consumers may look to change PSP if they see warnings as intrusive or that there is any likelihood that additional friction is likely to make payment journeys more challenging. We consider that our proposals effectively balance the need for consumers to be provided with the necessary information to make a considered choice when sending a payment, whilst delivering an efficient and smooth payment experience. We consider that appropriate information is likely to increase confidence in UK payment systems, rather than decrease it.
- 4.32** We have also not been provided with any evidence to suggest that currently (or in the future) repeat victims of scams are likely to face challenges accessing banking products.
- 4.33** As set out in our CBA, we are content that the benefits of the policy outweigh the costs and risks – and that we have given due regard to the equality objectives under the Act. We consider that our policy, across both CHAPS and Faster Payments, will adequately protect consumers. We also however recognise the need to ensure that some of the risks we and respondents have identified, including in respect of the risks of de-banking and of the potential impact of stop the clock and gross negligence, do not materialise.
- 4.34** We will monitor these risks as part of our evaluation work and can consider what, if any, action we may need to take.

# Annex 1

## Specific Direction 21



Specific Direction 21 to PSPs participating in CHAPS that provide relevant CHAPS accounts, to reimburse CHAPS APP scam payments and comply with the CHAPS reimbursement rules

Specific Direction 21 (CHAPS APP scam reimbursement requirement)

September 2024

# Specific Direction 21: CHAPS APP scam reimbursement requirement

## 1 Recitals

### **Whereas:**

- 1.1** Authorised push payment (APP) scams happen when a person uses a fraudulent or dishonest course of conduct to manipulate, deceive or persuade someone to send money to an account outside of their control.
- 1.2** The Financial Services and Markets Act 2023 (FSMA 2023) amends regulation 90 of the Payment Services Regulations 2017 to provide that it does not affect the liability of a payment service provider (PSP) under a relevant requirement imposed by the PSR in a case where a payment order is executed subsequent to fraud or dishonesty.
- 1.3** The PSR has previously implemented a policy that requires APP scam victims to be reimbursed by the sending PSP where payments are made over the Faster Payments Scheme. This is known as the FPS reimbursement requirement.
- 1.4** Following publication by the PSR of its policy on the FPS reimbursement requirement, the Bank of England announced its intention, as the operator of the CHAPS payment system, for comparable protections to be implemented for victims of APP scams perpetrated against consumers using the CHAPS payment system. The Bank of England has therefore created the CHAPS reimbursement rules, set out in an annex to the CHAPS Reference Manual.
- 1.5** To support this, the PSR has decided to create a relevant requirement by giving this specific direction, which imposes obligations on in-scope PSPs in the CHAPS payment system. This is known as the CHAPS reimbursement requirement.
- 1.6** The PSR is introducing the CHAPS reimbursement requirement to ensure consistency in the reimbursement of APP scam victims across different payment systems. The PSR has also decided to direct in-scope PSPs in CHAPS to comply with the CHAPS reimbursement requirement and the CHAPS reimbursement rules. This is to ensure that these rules apply to all participants in CHAPS, whether or not they are CHAPS direct participants, so that all in-scope participants in CHAPS and their consumers are, as far as possible, placed on an equal footing.
- 1.7** The PSR will also specify the information which PSPs must collate, retain, and provide to the CHAPS Operator to enable it to monitor and/or ensure compliance with the CHAPS reimbursement rules. This information will be specified by the PSR in the CHAPS Compliance Data Reporting Standards (CCDRS). Directed PSPs must comply with the requirements of this direction, including the requirement to comply with the provisions of the CCDRS.

## 2 Powers exercised and purpose

- 2.1** CHAPS is designated by HM Treasury as a regulated payment system under section 43 of Financial Services (Banking Reform) Act 2013 (FSBRA) for the purposes of Part 5 of FSBRA.
- 2.2** The PSR gives this specific direction in accordance with section 54(1) and (2) of FSBRA. In accordance with section 54(3)(c), this direction applies to persons of a specified description.
- 2.3** In making its decision to use its section 54 powers, the PSR had regard to section 62 of FSBRA (Duty to consider exercise of powers under the Competition Act 1998).
- 2.4** The PSR articulated its policy objectives in respect of the reimbursement of victims of APP scams in PS23/3, *Fighting authorised push payment fraud: a new reimbursement requirement* (June 2023)<sup>1</sup>. In particular the PSR considers that a legal framework is necessary to give effect to reimbursement of victims in order:
- to incentivise the payments industry to invest in fraud prevention, increasing consumer protections so most victims of APP scams are swiftly reimbursed; and
  - to pursue the PSR’s long-term ambition for the operator of payment systems to tackle fraud by improving the rules by which those payment systems operate.
- 2.5** Following the PSR’s publication of this policy position, the Bank of England announced its intention, as operator of the CHAPS payment system, for comparable protections to be implemented for victims of APP scams perpetrated using the CHAPS payment system.
- 2.6** The PSR gives this specific direction to introduce a reimbursement requirement in respect of the CHAPS payment system and for the reasons and purposes set out in PS24/5.
- 2.7** The PSR hereby requires all in-scope PSPs to comply with the CHAPS reimbursement requirement, the CHAPS reimbursement rules, and any requirements imposed in the CCDRS. PSPs must also have regard to any other guidance and/or standards issued by the PSR as regards compliance with the CHAPS reimbursement requirement.

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

# Direction

**NOW the PSR gives the following specific direction to all PSPs participating in CHAPS that provide relevant CHAPS accounts**

## 3 The reimbursement requirement

### The CHAPS reimbursement requirement

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

### The scope of the CHAPS reimbursement requirement

- 3.2** The CHAPS reimbursement requirement applies to all reimbursable CHAPS APP scam payments executed on or after the implementation date. The implementation date is 7 October 2024.
- 3.3** The CHAPS reimbursement requirement applies in line with the exceptions and additional provisions set out in the CHAPS reimbursement rules. These exceptions and provisions shall be applied in respect of the CHAPS reimbursement requirement subject to any specific definitions or requirements which are applicable in the context of that requirement.

## 4 Requirement to comply with the CHAPS reimbursement rules

- 4.1** From 7 October 2024 all directed PSPs must comply with the CHAPS reimbursement rules.

## 5 PSPs to inform consumers of their rights

- 5.1** All directed PSPs which are capable of being sending PSPs must inform their existing consumers of their rights under the CHAPS reimbursement requirement and the CHAPS reimbursement rules. This includes informing consumers of the changes which will be made to their contractual terms and conditions as required by paragraph 6.1.

- 5.2** For the purposes of this specific direction, a directed PSP is capable of being a sending PSP if it:
- a. Provides a relevant CHAPS account for a consumer.
  - b. From which it is or will be possible for a CHAPS APP scam payment to be made.
- 5.3** Directed PSPs which are capable of being sending PSPs must inform their consumers in accordance with paragraph 5.1 as follows:
- a. If a PSP has not yet complied with paragraph 5.1 of Specific Direction 20 (July 2024) by the date this direction comes into force, by 7 October 2024. A PSP may use a single communication to comply with both paragraph 5.1 of this direction and paragraph 5.1 of Specific Direction 20 (July 2024).
  - b. If a PSP has already complied with paragraph 5.1 of Specific Direction 20 (July 2024) by the date this direction comes into force, as soon as practicable and in any event no later than two months before the date on which the changes made to their consumers' contractual terms and conditions as required by paragraph 6.1 are to take effect.
  - c. If a PSP is not required to comply with paragraph 5.1 of Specific Direction 20 (July 2024), as soon as practicable and in any event no later than two months before the date on which the changes made to their consumers' contractual terms and conditions as required by paragraph 6.1 are to take effect.
- 5.4** From 7 October 2024 all directed PSPs which are capable of being sending PSPs must have arrangements in place to inform any new consumers of their rights under the CHAPS reimbursement requirement and CHAPS reimbursement rules and have informed them before they provide those new consumers with their services.
- 5.5** Consumers must be informed in the same manner in which the PSP would notify them of other changes to the way in which they provide their CHAPS services.

## 6 PSPs to amend their terms and conditions

- 6.1** All directed PSPs which are capable of being sending PSPs must amend the terms and conditions of their relevant contracts to provide that they will reimburse their consumers as and when required by the CHAPS reimbursement requirement and CHAPS reimbursement rules.
- 6.2** A relevant contract is a framework contract between a consumer who holds a relevant CHAPS account and a directed PSP which is capable of being a sending PSP.
- 6.3** All directed PSPs which are capable of being sending PSPs must amend their relevant contracts as provided for above at the earliest practicable opportunity, including by reference to contractual amendment cycles. In any event this amendment must be effected by 9 April 2025 at the latest.

## 7 Indirect access providers to provide information about their indirect PSP customers

- 7.1** By 31 March 2025, and annually thereafter, all indirect access providers must give the PSR a complete list of all of their indirect PSP customers for the previous calendar year.
- 7.2** The PSR may specify in guidance additional requirements for the format and content of the list mentioned in paragraph 7.1.
- 7.3** By 30 April 2025, and monthly thereafter, all indirect access providers must give the PSR an update containing any changes to the list they provide under paragraph 7.1. They do not need to provide a report for months where there are no changes since the previous report.
- 7.4** Where a PSP also reports under paragraphs 7.1 and/or 7.3 of Specific Direction 20 (July 2024), that PSP may submit a single report which covers both those requirements and the requirements of paragraphs 7.1 and 7.3 of this specific direction.

## 8 PSP information obligations

### Overarching duties

- 8.1** All directed PSPs which have not previously registered as required by paragraphs 8.1 – 8.3 of Specific Direction 20 (July 2024) must register as specified by the CHAPS Operator in the CHAPS reimbursement rules.
- 8.2** The obligation at paragraph 8.1 applies as follows:
- a. For PSPs participating in CHAPS and providing relevant CHAPS accounts at the time when this direction is given, paragraph 8.1 must be complied with as soon as is practicable and in any case by 7 October 2024
  - b. For PSPs which begin to participate in CHAPS and provide relevant CHAPS accounts at any date after this direction is given, and whilst it continues in force, paragraph 8.1 must be complied with before that PSP sends or receives live transactions using CHAPS.
- 8.3** From 7 October 2024, all directed PSPs must:
- a. collate and retain for a period of at least five years
    - i. the information identified in the PSR's CCDRS in respect of CHAPS APP scam claims
    - ii. any other information relevant to the CHAPS APP scam claim which is necessary to enable the CHAPS Operator to monitor and/or ensure compliance with the CHAPS reimbursement rules and which is specified by the CHAPS Operator in the CHAPS reimbursement rules

iii. any information which has been requested by the CHAPS Operator in accordance with paragraphs 8.3.d, 8.4 and 8.5

b. provide the information specified in the CCDRS to the CHAPS Operator

c. take appropriate and reasonable steps to assure themselves of the accuracy of any information provided, in the manner required by the CHAPS Operator and set out in the CHAPS reimbursement rules, before it is provided to the CHAPS Operator

d. provide timely, complete and accurate responses to reasonable and proportionate requests for information from the CHAPS Operator in order to enable it to monitor and/or ensure compliance with the CHAPS reimbursement rules.

**8.4** For the purposes of paragraph 8.3.d the CHAPS Operator may determine a time frame within which a timely, complete and accurate response must be provided.

**8.5** A reasonable and proportionate request for information by the CHAPS Operator is one which:

a. is made in circumstances where the CHAPS Operator has reasonable grounds to suspect that a directed PSP is not compliant, or that there is a reasonable likelihood that a directed PSP will not be compliant, with a requirement of the CHAPS reimbursement rules. The CHAPS Operator must include its reasoning and supporting evidence in the request

b. is appropriately scoped having regard to any time frame set for the response

c. may include, but is not limited to requests that:

i. enable the CHAPS Operator to monitor and/or ensure compliance with the CHAPS reimbursement rules

ii. relate to the CHAPS Operator monitoring and assuring the quality, accuracy, completeness and integrity of the data received

iii. enable the CHAPS Operator to undertake enhanced monitoring in response to any potential compliance issues identified.

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

## 9 PSPs' reporting obligations

**9.1** All directed PSPs must comply with the reporting requirements specified in this section.

**9.2** All directed PSPs must comply with the obligations set out in the PSR's CCDRS, as may be amended by the PSR from time to time.

- 9.3** The PSR will notify in writing the date on which any changes to the CCDRS will come into effect. The date will be no sooner than 90 days after the date of notification.

## Reporting Standard A

- 9.4** The PSR hereby establishes reporting standard A, pursuant to which information must be collated, retained and provided by sending PSPs to the CHAPS Operator in accordance with this direction.
- 9.5** The PSR will set out the information which sending PSPs must report to the CHAPS Operator pursuant to reporting standard A in the CCDRS.
- 9.6** From 7 October 2024 all sending PSPs must collate and retain all information falling within the scope of reporting standard A as required in paragraphs 8.3 – 8.6 of this direction.
- 9.7** All sending PSPs must provide to the CHAPS Operator any information falling within the scope of reporting standard A set out within the CCDRS as follows:
- a. Each report must cover all cases closed in the reporting period
  - b. The first report is required to be submitted on 6 January 2025 to cover a reporting period of 7 October 2024 – 30 November 2024
  - c. Each subsequent report shall cover one month (the “reporting period”)
  - d. Each subsequent report is due by close of business on the last business day of the month after each reporting period.
- 9.8** Sending PSPs must report the information to the CHAPS Operator under Reporting Standard A using the method set out by the CHAPS Operator in the CHAPS reimbursement rules.
- 9.9** Where a sending PSP has not received any CHAPS APP scam claims in any reporting period, paragraph 9.7 does not apply and they are not obliged to submit a nil return.

## Reporting to the PSR

- 9.10** The PSR may from time to time in writing require a sending PSP to provide it with a copy of any report provided to the CHAPS Operator under paragraph 9.7.
- 9.11** The sending PSP must provide the report required under paragraph 9.10 by the date given by the PSR.



## 10 Application

- 10.1** This specific direction applies to all PSPs participating in CHAPS that provide relevant CHAPS accounts.

## 11 Commencement, and duration and review

- 11.1** This specific direction comes into force on 7 October 2024.
- 11.2** This specific direction will continue in force until such time as it is varied or revoked by the PSR.
- 11.3** The provisions of this direction may, from time to time, be subject to review by the PSR. This may include circumstances where the CHAPS Reference Manual, including the CHAPS reimbursement rules, is revised by the CHAPS Operator.

## 12 Citation

- 12.1** This direction may be cited as Specific Direction 21 (September 2024) (CHAPS APP scam reimbursement requirement).

## 13 Interpretation

- 13.1** The headings and titles used in this specific direction are for convenience and have no legal effect.
- 13.2** The Interpretation Act 1978 applies to this specific direction as if it were an Act of Parliament, except where words and expressions are expressly defined.
- 13.3** 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.
- 13.4** The following definitions apply in this specific direction:

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

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

- **Authorisation** for the purpose of this direction, in the context of a payment means that the payer has given their explicit consent to:
  - the execution of the payment transaction, or
  - the execution of a series of payment transactions of which that payment transaction forms part.
- **Business day**, for the purposes of this direction, means any day (period of 24 hours beginning at midnight) that is not a Saturday or Sunday, or a bank or public holiday in any part of the United Kingdom.
- **CHAPS** means the regulated payment system designated by Order from the Treasury on 1 April 2015.

- **CHAPS APP scam claim** means one or more CHAPS APP scam payments made as part of an APP scam and made to the victim's PSP.
- **CHAPS APP scam payment** for the purposes of this direction, means an APP, authorised by a victim as part of an APP scam, that has all the following features:
  1. It is executed through CHAPS using a PACS 008 message.
  2. It is authorised by a PSP's consumer.
  3. It is executed by that PSP in the UK.
  4. The payment is received in a relevant CHAPS account in the UK that is not controlled by the consumer.
  5. The payment is not to the recipient the consumer intended or is not for the purpose the consumer intended.
- **CHAPS Compliance Data Reporting Standards (CCDRS)** means the document produced and published by the PSR, as may be amended from time to time, which sets requirements for the specific information which PSPs must collate, retain and provide to the CHAPS Operator pursuant to obligations imposed by this specific direction and to enable it to monitor and/or ensure compliance with the CHAPS reimbursement rules.
- **CHAPS direct participant** means an entity which satisfies the CHAPS system access criteria as specified in the CHAPS Reference Manual and is admitted to participation in the CHAPS System by entering into a CHAPS Participation Agreement with the Bank.
- **CHAPS Operator** means the Bank of England as the operator of the CHAPS payment system.
- **CHAPS Reference Manual** means the document published by the Bank of England on its website, as amended from time to time. It sets out obligations for direct participants and describes key elements of the CHAPS system's design, operations, risks and controls. The CHAPS Reference Manual forms a core part of the legal basis for the Bank's operation of CHAPS and aims to provide a clear and comprehensive description of the rules, requirements and key procedures.
- **CHAPS reimbursement directory** means the list of directed PSPs and their contact details which the FPS Operator maintains and which may be used for the purposes of managing CHAPS APP scam claims.
- **CHAPS reimbursement requirement** means the obligation conferred on directed PSPs under paragraph 3.1 of this specific direction.
- **CHAPS reimbursement rules** means the rules created by the CHAPS Operator concerning the CHAPS reimbursement requirement, which are set out in Annex A to the CHAPS Reference Manual.

- **Consumer** for the purposes of this direction, refers to service users of PSPs. These are individuals, microenterprises (an enterprise that employs fewer than ten persons and that has either an annual turnover or annual balance sheet total that does not exceed €2 million) or charities (a body whose annual income is less than £1 million per year and is a charity as defined by the Charities Act 2011, Charities and Trustee Investment (Scotland) Act 2005 or the Charities Act (Northern Ireland) 2008).
- **Directed PSP** or **in-scope PSP** means a PSP participating in the CHAPS to which this specific direction applies, as set out in paragraph 10.1. For the purposes of this specific direction, this means a PSP which provides a relevant CHAPS account, whether or not that PSP is itself a direct participant in CHAPS.
- **Directed PSP which is capable of being a sending PSP** means a directed PSP which:
  - Provides a relevant CHAPS account for a consumer.
  - From which it is or will be possible for a CHAPS APP scam payment to be made.
- **Faster Payments Scheme** or **FPS** means the Faster Payments Scheme, a regulated payment system designated by Order from the Treasury on 1 April 2015.
- **Financial Market Infrastructure (FMI)** means all the systems, networks, and procedures that facilitate the clearing, settlement, and recording of financial instruments i.e. payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories.
- **Framework contract** means any contract for payment services which governs the future execution of any payments using CHAPS whether from an existing relevant CHAPS account or one that may be set up in future.
- **Indirect access provider** or **IAP** means a PSP with access to CHAPS that has an agreement or arrangements with another person for the purpose of enabling that other person (the '**indirect PSP customer**') to provide services for the purposes of enabling the transfer of funds using CHAPS or to become a PSP in relation to CHAPS. An IAP does not have to be a CHAPS direct participant. Indirect PSPs can themselves provide indirect access (sometimes called a 'nested' access arrangement).
- **Indirect PSP customer** means a person that has an agreement or arrangements with an indirect access provider to enable the indirect PSP customer to provide services for the purposes of enabling the transfer of funds using CHAPS or to become a PSP in relation to CHAPS.
- **Information** for the purposes of this direction includes any information or data which may be required by either the PSR for the purposes of monitoring compliance with this direction or any other relevant regulatory requirement or the CHAPS Operator in connection with monitoring and/or ensuring compliance with the CHAPS reimbursement rules.
- **Notification in writing** by the PSR includes by means of publication on the PSR's website.
- **Operator** has the same meaning as under section 42(3) of FSBRA.

- **Participant** has the same meaning as under section 42(2) of FSBRA.
- **Payment System** has the same meaning as under section 41(1) of FSBRA.
- **Payment Systems Regulator (PSR)** is the body corporate established under section 40 of FSBRA.
- **Payment service provider (PSP)** has the same meaning as under section 42(5) of FSBRA.
- **Register** means providing the information specified by the CHAPS Operator in the CHAPS reimbursement rules, in the manner set out in those rules, as required by paragraph 8.1 of this specific direction. This information may be used to support the creation and maintenance of the CHAPS reimbursement directory.
- **Reimbursable CHAPS APP scam payment** means a CHAPS APP scam payment where the consumer standard of caution exception does not apply, the victim is not party to the fraud or claiming fraudulently or dishonestly to have been defrauded and the claim was made within the time limit set out in the CHAPS reimbursement rules.
- **Relevant CHAPS account** means an account that is provided to a service user, is held in the UK and can send or receive payments using CHAPS, but excludes accounts provided by credit unions, municipal banks, FIs and national savings banks.
- **Relevant contract** means a framework contract between a consumer who holds a relevant CHAPS account and a directed PSP which is capable of being a sending PSP.
- **Retain** means to keep information for the period specified, in a readily accessible electronic format where possible.
- **Sending PSP** means a PSP that provides a relevant CHAPS account for a consumer, from which one or more CHAPS APP scam payments were made.
- **Service user** means a person who uses a service provided by a payment system and is not a participant in that payment system.
- **Victim** means a consumer who has made one or more CHAPS APP scam payments.

**Made on 6 September 2024**

**David Geale**  
Interim Managing Director  
Payment Systems Regulator

## Status of directions

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

# Annex 2

## CHAPS Compliance Data Reporting Standard (CCDRS)

# CHAPS APP scams: Compliance Data Reporting Standard

## Background

- 1.1** This CHAPS APP Scams Compliance Data Reporting Standard (CCDRS) contains the CHAPS APP scams data and information that directed PSPs are required to collate and retain for the payment system operator (PSO) of CHAPS, the Bank of England, for it to effectively monitor compliance with the CHAPS reimbursement rules.
- 1.2** It also sets out the data and information that PSPs must report to the Bank of England in two different reporting scenarios:
- Reporting standard A (under which the data must be reported by the sending PSP in respect of transactions they have sent)
  - Reporting standard B (all directed PSPs).
- 1.3** For the avoidance of doubt, when reporting standard A applies, that is the data that sending directed PSPs must collate, retain, and report to the Bank of England in order to comply with paragraph 8.3.a.i of Specific Direction 21. When reporting standard A applies, receiving PSPs do not need to collate or retain any data in order to comply with that paragraph. When reporting standard B applies, all data within the CCDRS must be collated and retained by all directed PSPs. A full list of the data points is set out in the accompanying document.
- 1.4** The CCDRS should be read alongside:
- Specific Direction 21 which requires PSPs to collate, retain and provide data to the Bank of England so that it can monitor compliance with the CHAPS reimbursement rules. It also requires PSPs to comply with the collation, retention and provision requirements set out in this document; i.e., compliance with the CCDRS is required for compliance with Specific Direction 21



## Record-keeping

- 1.5** As part of monitoring PSPs' compliance with the CHAPS APP scams legal direction and requirements, PSPs may be required to provide information on CHAPS APP scam claims received.
- 1.6** We require that all directed PSPs (both sending and receiving PSPs) keep accurate records of the following:
- all customer communications and responses relating to a CHAPS APP scam claim, via any channel, and any subsequent communications
  - all communications between the PSP and any other party in respect of a CHAPS APP scam claim
  - all communications between the PSP and the Bank of England in relation to the PSP's CHAPS APP scam reimbursement processes and/or any potential compliance issues
  - decision-making records about individual CHAPS APP scam claims including the final decision and accompanying rationale for making that decision
  - actions taken to remediate customers in relation to a CHAPS APP scam claim
  - any reports by first, second or third-line functions relating to systems and controls related to CHAPS APP scam claims (such as by the PSP's risk, compliance or audit departments).

## Validity

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

## Amendments

- 1.8** The PSR may update this document from time to time. The PSR may consult on proposed changes to this document. Any changes will come into effect no sooner than 90 days after they have been confirmed in writing.

Code	Metrics	Code	Data points	Theme	Collated, retained and reported by the sending PSP under Standard A	Collated, retained and provided by all directed PSPs under Standard B
<b>Of the total CHAPS APP scam claims in the reporting period that are deemed 'in-scope' for assessment:</b>						
1.1	Total volumes and values of CHAPS APP scam claims reported by consumers	1.1.1	Total volume of CHAPS APP scam claims that are deemed 'in scope' for assessment	APP Scam Claims Reported	✓	✓
		1.1.2	Total value of CHAPS APP scam claims that are deemed 'in scope' for assessment		✓	✓
2.1	Total volumes and values of CHAPS APP scam claims that are reimbursable	2.1.1	Total volume of CHAPS APP scam claims that are reimbursable	Claim Assessment	✓	✓
		2.1.2	Total value of CHAPS APP scam claims that are reimbursable		✓	✓
2.2	Total volumes and values of CHAPS APP scam claims that are not reimbursable	2.2.1	Total volume of CHAPS APP scam claims that are not reimbursable		✓	✓
		2.2.2	Total value of CHAPS APP scam claims that are not reimbursable		✓	✓
2.3	Total volumes and values of CHAPS APP scam claims that are not reimbursable, with reason codes for rejection:	2.3.1	Total volume of CHAPS APP scam claims that are not reimbursable, with reason codes			✓
	(i) Payments made before 7 October 2024 (ii) Payments made for unlawful purposes (iii) Payments which take place across other payment systems (Non-CHAPS payments) (iv) International payments (v) Civil disputes (vi) Claimant does not meet the definition of a consumer (vii) Payments do not meet the definition of an APP scam (viii) Consumer standard of caution (ix) Time limit for CHAPS APP scam claims (13 months) (x) First-party fraud	2.3.2	Total value of CHAPS APP scam claims that are not reimbursable, with reason codes			✓

Code	Metrics	Code	Data points	Theme	Collated, retained and reported by the sending PSP under Standard A	Collated, retained and provided by all directed PSPs under Standard B
3.1	Total volumes and values of CHAPS APP scam claims closed within five business days	3.1.1	Total volume of CHAPS APP scam claims closed (from consumer reporting of the CHAPS APP scam claim to consumer reimbursement or claim rejection) within the five business days	Timescales/ Stop the Clock	✓	✓
		3.1.2	Total value of CHAPS APP scam claims closed (from consumer reporting of the CHAPS APP scam claim to consumer reimbursement or claim rejection) within the five business days		✓	✓
3.2	Total volumes and values of CHAPS APP scam claims closed within 35 business days	3.2.1	Total volume of CHAPS APP scam claims closed (from consumer reporting of the CHAPS APP scam claim to consumer reimbursement) within 35 business days		✓	✓
		3.2.2	Total value of CHAPS APP scam claims closed (from consumer reporting of the CHAPS APP scam claim to consumer reimbursement) within 35 business days		✓	✓
3.3	Stop the clock usage per CHAPS APP scam claim with reason codes: (i) to gather information from the victim(s) (or their agent) or the receiving PSP to assess whether the claim is a reimbursable CHAPS APP scam claim (ii) to verify that a claims management company is submitting a legitimate claim – for example, validating that the victim has authorised the company to submit a claim (iii) to gather additional information from a victim to assess their vulnerability (iv) in cases where the sending PSP has evidence of fraud on the part of the person who made the CHAPS APP scam claim, to gather additional information from the receiving PSP, law enforcement or other relevant parties (v) for multi-step scams, to gather additional information from the other PSPs involved	3.3.1	For CHAPS APP scam claims, by reason code, the total number of times stop the clock is used			✓
		3.3.2	Total volume of CHAPS APP scam claims where stop the clock is used at least once			✓
4.1	Total volume and value of CHAPS APP scam claims where the sending PSP informed the receiving PSP of the claim within the notification period	4.1.1	Total volume of CHAPS APP scam claims where the sending PSP informed the receiving PSP of the claim within the notification period as defined in the CHAPS reimbursement rules	Inter-PSP Communication	✓	✓
		4.1.2	Total value of CHAPS APP scam claims where the sending PSP informed the receiving PSP of the claim within the notification period as defined in the CHAPS reimbursement rules		✓	✓
4.2	Total volume and value of CHAPS APP scam claims where the receiving PSP responded to information requests from the sending PSP in a timely and accurate manner, as defined by the Bank of England	4.2.1	Total volume of CHAPS APP scam claims where the receiving PSP responded to information requests from the sending PSP in a timely manner			✓
		4.2.2	Total value of CHAPS APP scam claims where the receiving PSP responded to information requests from the sending PSP in a timely manner			✓

Code	Metrics	Code	Data points	Theme	Collated, retained and reported by the sending PSP under Standard A	Collated, retained and provided by all directed PSPs under Standard B
5.1	Total volume and values of CHAPS APP scam claims where consumer standard of caution exception is applied	5.1.1	Total volume of CHAPS APP scam claims rejected as the consumer standard of caution exception was applied	Exceptions	✓	✓
		5.1.2	Total value of CHAPS APP scam claims rejected as the consumer standard of caution exception was applied		✓	✓
5.2	Total volumes and values of CHAPS APP scam claims where the consumer standard of caution exception is applied, with reason codes: (i) The requirement to have regard to interventions (ii) The prompt reporting requirement (iii) The information sharing requirement (iv) The police reporting requirement	5.2.1	Total volume of CHAPS APP scam claims where the consumer standard of caution exception is applied, with reason codes			✓
		5.2.2	Total value of CHAPS APP scam claims where the consumer standard of caution exception is applied, with reason codes			✓
5.3	Total volumes and values of CHAPS APP scam claims where the value of the claim is above the maximum level of reimbursement (as set by the Bank of England in the CHAPs reimbursement rules)	5.3.1	Total volume of CHAPS APP scam claims where the value of the claim is above the maximum level of reimbursement			✓
		5.3.2	Total value of CHAPS APP scam claims where the value of the claim is above the maximum level of reimbursement			✓
6.1	Total volume and value of CHAPS APP scam claims from consumers assessed as vulnerable	6.1.1	Total volume of CHAPS APP scam claims where the consumer was identified as vulnerable	Vulnerability	✓	✓
		6.1.2	Total value of CHAPS APP scam claims where the consumer was assessed as vulnerable		✓	✓
7.1	The total volume of CHAPS APP scam claims reimbursed and value of reimbursement to consumers	7.1.1	Total volume of CHAPS APP scam claims that are reimbursed to the consumer	Rate of Reimbursement	✓	✓
		7.1.2	For CHAPS APP scam claims, the total value reimbursed to the consumer		✓	✓
8.1	Total volumes and values of CHAPS APP scam claims where the sending PSP received the reimbursable contribution amount within the timeframe specified in the CHAPS reimbursement rules (5 business days)	8.1.1	Total volume of CHAPS APP scam claims where the sending PSP received the reimbursable contribution amount within the timeframe specified	Apportionment – Reimbursable Contribution	✓	✓
		8.1.2	Total value of CHAPS APP scam claims where the sending PSP received the reimbursable contribution amount within the timeframe specified		✓	✓
8.2	Average time taken for the reimbursable contribution amount to be paid by the receiving PSP to the sending PSP	8.2.1	For CHAPS APP scam claims, total time taken by the receiving PSP to pay the reimbursable contribution amount to the sending PSP			✓
		8.2.2	Total volume of CHAPS APP scam claims where the sending PSP informed the receiving PSP of the reimbursable contribution amount			✓

Code	Metrics	Code	Data points	Theme	Collated, retained and reported by the sending PSP under Standard A	Collated, retained and provided by all directed PSPs under Standard B
8.3	Total volume and value of CHAPS APP scam claims where the PSP has repatriated funds	8.3.1	Total volume of CHAPS APP scam claims where receiving PSP has repatriated funds in the reporting period	Apportionment – Repatriated Funds		✓
		8.3.2	Total value of CHAPS APP scam claims where receiving PSP has repatriated funds in the reporting period			✓
8.4	Total value of repatriated funds for CHAPS APP scam claims	8.4.1	Total value of repatriated funds for CHAPS APP scam claims			✓
8.5	Proportion of CHAPS APP scam claims where the repatriated value has been apportioned between the sending and receiving PSP in line with the policy	8.5.1	Total volume of CHAPS APP scam claims where repatriated funds have been apportioned between the sending and receiving PSP, in the reporting period			✓
		8.5.2	Total volume of CHAPS APP scam claims where receiving PSP has repatriated funds in the reporting period			✓

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© The Payment Systems Regulator Limited 2024

12 Endeavour Square

London E20 1JN

Telephone: 0300 456 3677

Website: [www.psr.org.uk](http://www.psr.org.uk)

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