

Factsheet

Mitigating the impact of authorised push payment scams

CP17/6

We've published a report on our work on reducing the harm to consumers from authorised push payment (APP) scams. We've led a range of initiatives to better prevent APP scams and support victims when scams do happen, working with the Financial Conduct Authority (FCA) and the financial services industry.

Industry initiatives focused on APP scams

With our oversight, the industry (as represented by UK Finance) has made good progress in several areas:

- **Collecting statistics:** The first set of robust data on APP scams has been published, and even more detailed data will be published regularly from 2018, allowing PSPs to offer the service from then.
- **Establishing best practice standards:** From 2018, payment service providers (PSPs) can follow these standards whenever a victim of an APP scam reports the incident.
- **Data sharing:** PSPs have established a common understanding of what information they can share under current law when they respond to APP scam claims.



Other industry initiatives in progress

- **Confirmation of Payee:** This process would allow people to verify that they're paying the intended recipient when making a bank transfer. The rules governing this will be in place in 2018, allowing PSPs to offer the service from then.
- **Financial crime data:** A more effective model for sharing this information is being developed. It will make it harder for scammers to open accounts, and to take over existing legitimate accounts for money laundering purposes (these are known as mule accounts).
- **Transactional data analytics:** This will help PSPs identify and shut down mule accounts, and spot potential fraudulent payments, by analysing the flow of funds throughout the payment chain. The rules will be in place in 2018, allowing the technology to be offered from then.

What are APP scams?

Authorised push payments are made when consumers authorise their bank to make a payment from their bank account to another account.

An APP scam occurs when people are tricked into sending money to a fraudster.

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Overview of measures to prevent and respond to APP scams

Prevention

Customer education and awareness
Underway

Guidelines for identity verification, authentication and risk assessment
2018

Trusted 'know your customer' (KYC) data sharing
2020

Confirmation of Payee
Starting 2018

If a scam does happen:

Response

UK Finance's best practice standards
2018

Information sharing in response to scams
From 2018

Financial crime data and information sharing
2019

Transaction data analytics
Starting 2018

Outcome and follow-up

Joint Fraud Taskforce's recovery of funds

Contingent reimbursement
(Subject to consultation)

Collection and publication of APP scam statistics
Underway

Recovery and reimbursement

Research and analysis

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Proposal for a contingent reimbursement model

We think a **contingent reimbursement model** should be introduced. This would set out when and how APP scam victims could be reimbursed for their losses – provided they met a defined level of care when they made the payment. We are consulting stakeholders for their views on the model and how it should be introduced.

The payment system operators' role

Consumers use two payment systems to make push payments – Faster Payments and CHAPS. We considered the role the operators of these systems should play in dealing with APP scams. We explored practices used internationally and in other UK regulated sectors, and found that industry initiatives underway in the UK will bring domestic practices broadly in line with those used elsewhere. At this stage, we don't see a need to extend the operators' role beyond these industry initiatives.

Next steps

We've set milestones for the industry initiatives. The industry will report to us every six months on its progress, with the first report in June 2018.

Our consultation on the proposal for a contingent reimbursement model will run until 12 January 2018. We will consider feedback to decide whether, and how, the industry should introduce a contingent reimbursement model.

Background

In September 2016 we received a **super-complaint from the consumer group Which?**. It argued that victims of APP scams don't get enough protection compared to victims of other types of payments fraud (such as card payments and direct debits). We embarked on a package of work with the payments industry in response to the super-complaint.

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