

Decision on an application for an exemption from the requirement to introduce Confirmation of Payee ("CoP"), made under paragraph 4.12 of Specific Direction 10 ("SD10") (as varied February 2020) requiring the introduction of CoP

Acting in accordance with Para 4.17 of SD10 and in connection with its functions under Part 5 of the Financial Services (Banking Reform) Act 2013 ("FSBRA"):

On 9 June 2020, the Payment Systems Regulator ("the PSR") approved an application by Santander UK plc ("Santander") for an exemption from the obligation in paragraph 4.5 of SD10 (to send CoP requests) until 31 March 2021;

On 2 March 2021 the PSR considered an application by Santander for a further exemption until 30 June 2021. The application was made pursuant to Paragraphs 4.13(a) and (b) of SD10;

The PSR does not consider Santander has demonstrated that exceptional circumstances reasonably prevent compliance with paragraph 4.5 of SD10 or that it would be unreasonable or disproportionate to require compliance with that paragraph and has therefore decided to reject the application.

1. SD10 (as revised) came into force on 18 February 2020. The obligation in paragraph 4.5 of SD10 (to send CoP requests) applies after 31 March 2020.
2. Due to Covid-19, in March 2020 the PSR informed all PSPs directed under SD10 that for the period to 30 June 2020 it would not take formal action for delays to the introduction of CoP across particular channels.
3. On 9 June 2020 the PSR approved an exemption application by Santander relating to [REDACTED]. This extended to 31 March 2021 the deadline for Santander to comply with the obligation in paragraph 4.5 of SD10 (to send CoP requests), by when Santander had planned to complete the migration of customers to a new platform with CoP functionality.
4. A further exemption application was made by Santander on 23 December 2020. The PSR considered that application on 7 January 2021 and sought further information from Santander. In response, on 8 February 2021, Santander submitted the present application (the "application").

5. The application relates to accounts provided through Santander's [REDACTED]. The application was supplemented with additional information on 15 February.

6. The application was made under paragraph 4.13a of SD10 (exceptional circumstances reasonably prevent compliance) and paragraph 4.13b of SD10 (not reasonable or proportionate to require compliance in accordance with the applicable timeline). The applicant sought an exemption until 30 June 2021 from the obligation in paragraph 4.5 of SD10 to send CoP requests.

7. The applicant stated that, while the core of the new platform will be ready by the existing deadline of 31 March 2021, migration will take longer than expected due to the impact of Covid-19 on the availability of technical resources [REDACTED] and other ongoing regulatory compliance work.

8. The applicant therefore requested a further extension until 30 June 2021 to allow time to build in CoP on [REDACTED].

9. Under paragraph 4.13 of SD10, the PSR may approve the application if satisfied that Santander has demonstrated that exceptional circumstances reasonably prevent compliance with the relevant obligation, or that it would not be reasonable or proportionate to require Santander to comply with that obligation in accordance with the applicable deadline (in this case, from the end of the current exemption).

10. In considering whether it is appropriate to grant the application, the PSR must have regard to all the circumstances, including the effect of approving the application on the objective of SD10, namely, a significant reduction in losses due to APP scams and accidentally misdirected payments.

11. The PSR took into account the following matters:

- The applicant does not explain the ongoing specific effect of Covid-19 on Santander's ability to implement SD10 [REDACTED];
- The obligation in paragraph 4.5 of SD10 (to send CoP requests) came into force immediately after 31 March 2020. Santander has therefore had significant time to comply with that obligation;
- The applicant does not explain the specific effect of other regulatory compliance work on Santander's ability to implement SD10 [REDACTED];
- The importance of maintaining effective incentives to implement SD10 to reduce losses from APP scams and accidentally misdirected payments;

- There are around 30 thousand accounts affected, held by corporate customers;
- The period of extension required;
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- Customers will be able to carry out payments and CoP checks over the telephone and through a stand-alone "CoP checker".

12. Noting the above, in particular the time already provided to Santander to comply with SD10 and the lack of specific justification for a further extension, the PSR does not consider Santander has demonstrated that exceptional circumstances reasonably prevent compliance or that it would be unreasonable or disproportionate to require compliance with para 4.5 of SD10 by the applicable deadline. It follows that, under SD10, the PSR may not grant the application.

13. Accordingly, having regard to the information provided to the PSR by Santander, the factors identified in paragraphs 11 and 12 above and the objectives of SD10, the PSR has decided to reject the application.

Genevieve Marjoribanks

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22 March 2021