

# Which? authorised push payment super-complaint

No.16/9

**In September 2016 consumer group Which? submitted a super-complaint to us about authorised push payment (APP) scams. Which? is concerned that consumers who are tricked into making a 'push' payment to a fraudster don't get enough protection – particularly compared to other types of payment. We have now published our response and next steps.**

## What we found

In a short space of time we've built up a clearer understanding of the issue, and we believe that this is a growing problem that needs to be tackled.

Based on our investigation to date, we think that:

1. The way in which banks work together in responding to reports of scams needs to improve.
2. There is some evidence to suggest some banks could do more to identify potentially fraudulent incoming payments and prevent accounts coming under the influence of scammers.
3. The data available on the scale and types of APP scams is of poor quality.

At this stage the evidence we have been able to collect is not sufficient to justify a change in liability, i.e. making banks liable for reimbursing victims of APP scams. However as our work progresses and additional evidence comes to light we will consider whether it would be appropriate to propose changes to the obligations or incentives of banks for these scams.

## What are we doing?

We have developed a programme of work to better protect consumers and increase awareness of payment scams. The banking industry will lead on the following work:

- Developing, collecting and publishing scam statistics to address the lack of clear data on the scale and scope of the problems, and to enable monitoring over time.
- Developing a common approach or best practice standards that banks should follow when responding to reported APP scams.
- Developing a common understanding of what information can be shared under the current law and any key legal barriers to sharing further information, liaising with the Information Commissioner's Office as appropriate.

We will monitor this work and review industry progress in the second half of 2017. The PSR will also undertake work to consider the potential for operators of the Faster Payments and CHAPS payment systems to play an expanded role in helping to minimise the consumer harm caused by APP scams.

These measures seek to complement the wider work being carried out by government, the Financial Conduct Authority and industry to protect consumers from financial crime.

# Factsheet

## Why are we doing this?

In its super-complaint, Which? asked us to investigate:

- The extent to which banks could change their conduct to reduce the harm caused to people who are tricked into authorising push payments to a fraudster.
- Possible changes to legislation or regulation, to change the incentives for banks and payment system operators, and to ensure that more is done to manage the risks from these types of scams and protect consumers.

Push payments are payments where a consumer instructs their bank to send money to another account. A push payment will be 'authorised' when a customer gives consent for the payment to be made.

## What are these scams?

There are two broad types of APP scams:

- **'Malicious misdirection' APP scams:** When victims believe they are paying a known and legitimate payee but are instead tricked into making a push payment to a scammer's account.
- **'Malicious payee' APP scams:** When victims make a push payment, typically in return for promised goods or services, to people they believe are legitimate but who subsequently turn out to be scammers.

For further information, read the full report.

## Example

An example of an APP could be where a consumer purchasing a new house is tricked into transferring money to what they believe to be their solicitor's account, but it turns out that the account is controlled by a fraudster.

## Key facts and figures

- Estimates we were able to consider suggest an annual volume of APP scams in at least the tens of thousands, and possibly hundreds of thousands.
- By way of context, Financial Fraud Action UK reported 1.5 million cases of card fraud in 2015. The UK Cards Association recorded 15 billion card transactions in the same year.
- From the limited evidence we have seen, malicious payee APP scams appear to be significantly more common than malicious misdirection APP scams. Our best estimate is that malicious payee APP scams make up between 85%-95% of total APP scams.

## What is a super-complaint?

The Financial Services (Banking Reform) Act 2013 says that certain organisations can complain to us if they believe that features of the payment systems market are, or appear to be, significantly damaging to the interests of service-users. The PSR has to respond to a super-complaint in 90 calendar days.

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