

Policy statement

# Consumer protection in interbank payments

Response to CP21/4

October 2021

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# 1 Introduction

- 1.1** Since Faster Payments was introduced in 2008, the number of transactions it processes has continued to grow. We expect this growth to persist in the coming years. We also expect innovations in interbank payment systems to continue, including propositions developed in Open Banking. All these factors should help improve opportunities for people to make retail purchases using Faster Payments.
- 1.2** If people continue using Faster Payments for more varied purposes, we need to be sure that they continue to have enough protection to make interbank payments with confidence. There must be adequate safeguards to mitigate harm if something goes wrong.
- 1.3** In February 2021, we published our [call for views on consumer protection in interbank payments \(CP21/4\)](#). We set out our vision for consumer protection and why we think more protection is needed for retail purchases made with Faster Payments. We wanted to engage with industry, consumers and businesses, to assess the best way for us to support the development of effective protection measures for Faster Payments.
- 1.4** We received 34 responses from various stakeholder groups. This document summarises the responses and sets out our plans to ensure that Faster Payments, and the service providers that use it, continue to innovate in ways that work well for consumers and businesses.

## Our position at a glance

- We expect industry to prioritise improved coordination between Faster Payment participants, to reduce the immediate risk of payment fraud.
- We want to see industry continue to tell customers about the protections they have.
- We expect all Faster Payments participants to identify and share payment risk levels with other participants and to act responsibly to minimise customer harm.
- We will continue to support the Open Banking Implementation Entity (OBIE), Pay.UK and Faster Payments participants in improving prevention and compensation measures.
- Although we don't suggest intervening in the market today to introduce additional purchase protection, we don't rule out the possibility of having to do so in the future.

## 2 Analysis of responses

### Key insights

**2.1** After considering the responses, which are summarised in more detail in Chapter 3, the following key insights emerged.

- Some respondents indicated that the current level of harm in Faster Payments for most transactions is generally low. However, we did not receive any firm evidence of the current payment risk levels in Faster Payments. Many responses acknowledged it is difficult to anticipate, measure and share risks for Faster Payment transactions, and that risk arising from payment fraud still exists.
- Currently, retailers are ultimately liable for disputes with their clients. Most respondents agreed this should not change. While consumers and their representatives said they would welcome regulatory intervention to introduce purchase protection, most industry respondents said the costs of adding liability provisions into Faster Payments rules would outweigh the benefits, so would not be proportionate.
- A large number of industry respondents would prefer a market-driven approach to consumer protection rather than regulatory intervention. Some responses stressed that increased competition between Faster Payments and card payments would produce positive outcomes for consumers and businesses, including on protection. Other responses said that innovative interbank services would, if given time to develop, provide protection for consumers to help build trust in these services. This includes services developed through Open Banking.
- Some consumer groups were sceptical of this, saying that changes to consumer protections would only happen if there was significant consumer demand. This could lead to a situation where Open Banking payments do not grow while the protection gap remains; or where the potential for consumer harm increases for those payments. To avoid this happening and miss out on the benefits of competition, they thought the level of consumer protection should be future-proofed proactively.
- While the attitude towards adding purchase protection for Faster Payments was mixed, most industry respondents acknowledged a need to improve communication between Faster Payments participants. This includes sharing payment risk levels.
- Industry respondents supported consumer education to increase awareness of protection. Consumers and their representatives stressed the limits of relying on consumer education; those most at risk of harm are often the hardest to reach. These respondents want to avoid solutions that blame consumers for lack of protection.

## Our response

- 2.2** Ensuring people and businesses are protected when using the UK's payment systems is a priority for us. It relates to our statutory objective to ensure that payment systems work in the interests of those that use them, and is a key part of our proposed strategy.<sup>1</sup> The responses in this document have shaped how we propose to ensure that interbank payments provide adequate levels of protection for those that use them.
- 2.3** Over the last few years, Faster Payments has continued to grow steadily<sup>2</sup>, and new propositions are being developed that will allow it to be used for more varied purposes. Yet, at the moment, it is still mainly used to make person-to-person and financial payments.<sup>3,4</sup>
- 2.4** Risks arising from these types of transactions include making an unauthorised payment, sending the wrong amount or paying the wrong person. We agree with respondents that these risks are likely to be mitigated through existing protections, including those provided by the Payment Services Regulations 2017. Where they do not, as in the case of payment fraud, we are working to ensure harm is reduced. This includes work to improve the reimbursement rate under the Contingent Reimbursement Model Code, as well as our work to ensure Confirmation of Payee is implemented more widely.<sup>5</sup>
- 2.5** The total volume and value of other interbank use cases remain low, and most risks are currently likely to be managed to acceptable levels through existing protections. At this stage, we do not propose to intervene in the market to introduce additional purchase protection. Instead, we will continue to support the market to develop in a way that promotes innovation. We agree that increased competition between Faster Payments and card payments could result in good levels of protection if service providers coordinate well.
- 2.6** While we support a market-driven approach to providing and improving consumer protection, we remain convinced that the level of consumer protection should match the level of potential harm arising from a payment. We agree with consumer representatives that relying on consumers knowing whether they are protected when they make a payment is not a viable solution. It would risk unfairly placing the blame on consumers.

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1 PSR Proposed Strategy, paragraphs 4.14-4.35 and 5.34-5.52,

<https://www.psr.org.uk/publications/general/our-proposed-strategy/>.

2 According to data from Pay.UK, Faster Payments, in 2020, processed 2.9 billion payments (an increase of 17% compared to 2019) with a total value of £2.1 trillion (an increase of 8% compared to 2019). For more information, see: <https://newseventsinsights.wearepay.uk/data-and-insights/faster-payment-system-statistics/>.

3 E.g. payments to friends, colleagues or family members, or payments from a current account to a savings account. Source: UK Finance, UK Payments Markets Report 2021.

4 According to data from the Open Banking Implementation Entity, there were 25 live to market open banking-enabled products and services. However, these represented only 0.5% of the total volume of API calls made in December 2020. For more information, see: <https://www.openbanking.org.uk/insights/the-open-banking-impact-report/>.

5 We consulted on improvements that could be made to reduce authorised push payment scams losses incurred by payment system users in a separate [call for views \(CP21/3\)](#) and will communicate on this topic separately. For more information, see: <https://www.psr.org.uk/our-work/app-scams/>.

- 2.7** Consumer knowledge will need to be supplemented by robust protection for higher-risk Faster Payments transactions, such as high-value payments, payments for delayed delivery of goods and services, or payments with an increased counterparty risk. Faster Payments will also need to have effective safeguards for transactions where there is a greater risk of fraud.
- 2.8** We therefore will continue to work with industry to prioritise improved coordination between Faster Payments participants and reducing the immediate risk arising from payment fraud.<sup>6</sup> We also want to see industry continue to inform customers about protection.
- 2.9** Ultimately, we expect all Faster Payments participants to be able to identify and share payment risk levels. We also expect them to act responsibly and accordingly to minimise customer harm. These participants include Account Servicing Payment Service Providers (ASPSPs) and Third-Party Providers, such as Payment Initiation Service Providers (PISPs). The creation of a trust mark for interbank payments can only be considered if robust protections are in place.
- 2.10** We will continue to support the OBIE, Pay.UK and Faster Payments participants to reduce potential harm by improving prevention and compensation measures. We will support developments to Pay.UK's governance of the interbank rules so it has greater ability to enforce compliance with its rules, and make rule changes that improve outcomes for consumers and businesses.
- 2.11** We do not currently propose to intervene to introduce additional purchase protection, but we will continue to regularly observe developments in consumer protection for Faster Payments. We will do this by monitoring<sup>7</sup>:
- changes in Faster Payments volumes
  - the level of payment risk and the uptake of specific uses for Faster Payments
  - the level of protection offered for different types of payment
- 2.12** If it looks likely that Faster Payments risk levels will rise beyond a level that consumers could reasonably be expected to carry, and we do not observe real prospects for the level of consumer protection to be improved through competition, we may need to intervene in the market to protect consumers and businesses.

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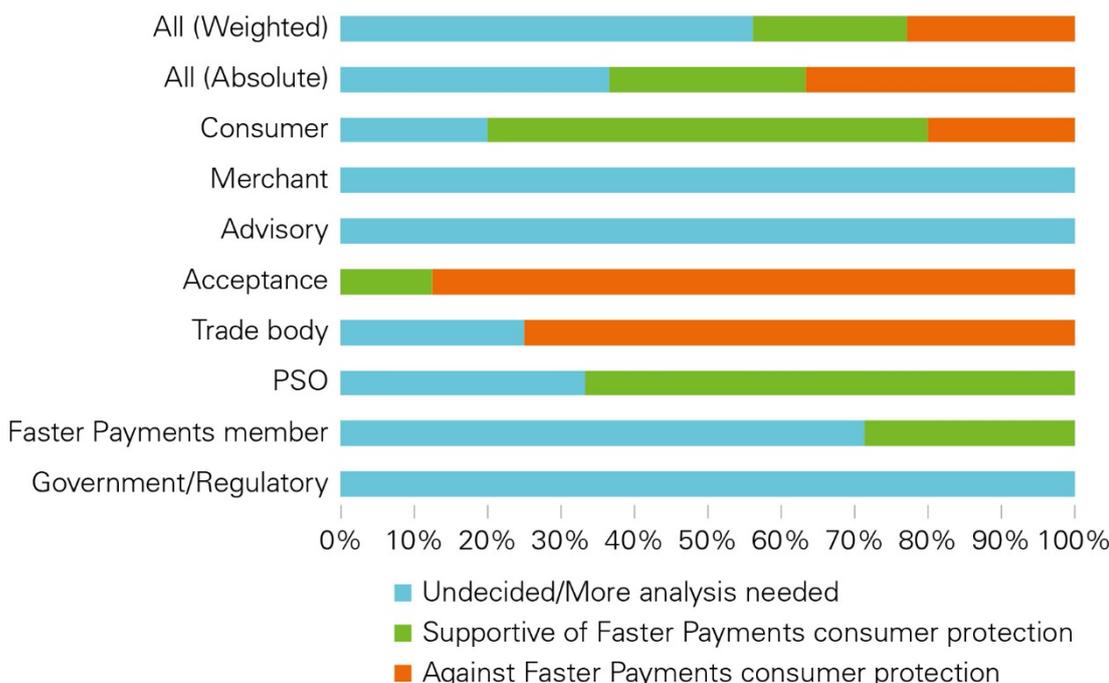
<sup>6</sup> We will set out more detail on proposed measures to reduce payment fraud risk later in the year.

<sup>7</sup> In accordance with our [Powers and Procedures Guidance](#), we may consider using our FSBRA powers under sections 81 to 90 to gather information.

# 3 Summary of responses

**3.1** The overall reaction to our call for views was mixed. Around 21% of respondents were supportive of our statement that greater protection is needed for certain interbank payments; around 23% were opposed. Around 56% of respondents believed more analysis is needed before a decision on increasing protection for purchases can be made.<sup>8</sup>

**Figure 1: Overall sentiment of responses**



**3.2** There was a degree of variation in the responses. However, responses from within a category of respondents were often comparable. We broadly summarise the overall sentiments below.<sup>9</sup>

## Industry participants providing payment acceptance services and trade bodies representing them

**3.3** Most responses in this category indicated that innovations enabling wider use of Faster Payments for retail purchases, and the propositions from PISPs in particular, are happening in a developing market. Most respondents thought providers of these

<sup>8</sup> Responses were weighted against different respondent categories.

<sup>9</sup> A more detailed summary of responses per question can be found in Annex 1. A full overview of the non-confidential responses we received can be found here: <https://psr.org.uk/publications/consultations/cp21-4-submissions/>

services will prioritise the growth of Faster Payments in retail, so are incentivised to increase consumer trust in their services. This includes providing protection.

- 3.4** In terms of liability, most respondents in this category felt the current legal provisions give enough protection. This includes the liability regime as set out in the Payment Services Regulations 2017 and more general consumer protection legislation.<sup>10</sup> They firmly opposed introducing additional liability on PISPs for purchase protection and stressed that regulatory intervention at this stage would be disproportionate, as the current level of payment risk for Faster Payments transactions remains low but the costs of an intervention would be significant.

## Faster Payments members and trade bodies representing them

- 3.5** Responses in this category varied. Most Faster Payments members acknowledged that if people increasingly use Faster Payments for retail purchases, additional purchase protection could be needed. Some respondents indicated that the current, limited volume of retail payments over Faster Payments makes it difficult to assess the level of risk. They felt that more analysis would be needed to justify any regulatory intervention and to understand the costs of further protection requirements.
- 3.6** Some members thought the industry was unlikely to be able to coordinate on protection without the help of a central body. They also stressed the importance of consumer education about the protection for each payment method.

## Payment system operators (PSOs)

- 3.7** PSOs were supportive of our goal to ensure the payments industry continues to improve their services for those who use Faster Payments to make purchases. They wanted to see Faster Payments develop into a system that could compete with payments traditionally made using card schemes. They believed that competition between payment systems would lead to better outcomes for consumers and businesses. They agreed that improved protection for purchases made using Faster Payments would help increase the competitive power of interbank payments.

## Consumers and consumer representatives

- 3.8** Consumers and their representatives were broadly in favour of more protection for Faster Payments purchases. Most thought that in order to reach adequate levels of protection, regulatory intervention would be needed. The protection provided through Section 75 of the Consumer Credit Act was cited as an example.

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<sup>10</sup> Including, but not limited to, the Consumer Rights Act and the Consumer Contracts Regulations.

- 3.9** Most respondents in this category noted that consumers are often unaware of the levels of protection offered by different payment methods. They supported taking action to increase consumer awareness of protection (e.g. by explaining the differences between payment systems using accessible terminology or through the introduction of a trust mark). However, respondents also cautioned relying too heavily on this as a solution. They stressed that the consumers most at risk from fraud and other harm are often also the hardest to reach using this method.

## Other categories

- 3.10** We also received responses from the public sector, respondents representing retailers and respondents providing advisory services. Their input varied but was often in line with the responses summarised in the categories above. We received a low number of responses from businesses and trade associations.
- 3.11** We commissioned additional research to supplement the input from businesses, as we know that a consumer's choice is influenced by the payment options presented to them. This means that businesses are likely to play a key role in enabling a future increase in the use of Faster Payments for purchases.
- 3.12** The research was done by FieldworkHub Ltd between June and September 2021. It involved 20 in-depth interviews with a range of small and medium-sized businesses from across the UK. It revealed that not many businesses are aware of the possibility of using Faster Payments as an alternative to card payments at point of sale. It also showed that ease of use and reliability are key factors when businesses consider a payment option.

# Annex 1

## Summary of responses per question

Question	Evidence summary
<p><b>1 Do you agree that there are insufficient consumer protections for interbank retail payments?</b></p>	<p>Responses to this question were mixed. Some thought the current level of protection was sufficient because the risk to consumers was low. Others thought that changes to legislation would be a better way to provide consistent levels of protection.</p> <p>Consumers and their representatives were in favour of purchase protection. Providers of payment acceptance services were the group most opposed to regulatory intervention.</p>
<p><b>2 To what extent do you agree that currently the industry does not provide and consumers do not demand appropriate levels of protection?</b></p>	<p>There was a perception that consumer awareness of protection was low. Some respondents argued that the industry already provides appropriate levels of protection because they have to comply with the PSRs 2017. Respondents also indicated the market was likely to provide protection in the future as a way to increase trust in interbank payments.</p>
<p><b>3 Will there be any changes to consumer or industry behaviour that would reduce the size of harm without the need for intervention? Why (not)?</b></p>	<p>Consumers and their representatives generally felt that there is a need for regulatory intervention in order to limit the harm. Some respondents said that retailers and PISPs are already incentivised to provide and improve protection to increase trust in their services. Others said that increased consumer awareness may increase the demand for more protection. Some respondents said that Faster Payments participants are unlikely to coordinate without guidance from a central body.</p>
<p><b>4 Do you foresee any difficulties with providing the same protection for on-us payments as those that use an interbank system?</b></p>	<p>Most respondents agreed that on-us transactions should provide the same level of protection as interbank transactions. Some stated that the risk for on-us payments is generally lower. They believe consumer awareness should be the focus so that demand for protection increases and the market has the incentive to provide protection.</p>

Question	Evidence summary
<p><b>5 Should payment protection be introduced for use cases related to paying for purchase transactions and/or any other use cases? Why (not)?</b></p>	<p>Payment acceptance service providers (as well as the trade bodies representing them) generally thought existing legislation provides enough protection. They also indicated the market could provide additional protection, but it needed time to scale and build trust. Some stated that if purchase protection is introduced, it should be done through legislation or as a form of insurance. Others said that if purchase protection is introduced that is equivalent to the chargeback system used in card schemes, this would result in disproportionate costs for industry and make interbank payments less competitive.</p> <p>Faster Payments members were more supportive of purchase protection. They do think more work is needed to identify proportional and sustainable solutions. Some respondents indicated that improving payment risk level sharing could be a start; some said that purchase protection is better addressed by legislation; and others said that the focus should be on increasing consumer awareness of protection.</p> <p>PSOs were in favour of purchase protection, but indicated this would require changes to data standards to enable Faster Payments participants to identify use cases and assess risk.</p>
<p><b>6 To what extent should payment protection be introduced for retail purchases with the liability for refunding the consumer imposed on either sellers or the seller's PSP or PISP?</b></p>	<p>Respondents broadly agreed that retailers should be liable and responsible for issuing refunds. Some respondents said that any additional liability should be based on existing liability in the Consumer Rights Act 2015.</p> <p>Some respondents acknowledged that purchase protection should be introduced, but only at a later stage when purchase transactions with Faster Payments are more established. Some industry participants that provide payment acceptance services reiterated that their focus is on increasing trust in their services, which means they already have an incentive to provide purchase protection.</p>
<p><b>7 Would changing the liability framework so that sellers or their PSPs are liable for loss lead to a change in commercial relationship between sellers and their PSPs? Why (not)?</b></p>	<p>Some payment acceptance service providers said that liability on industry participants would mean disproportionate costs and may make interbank payments less competitive. Others said it could result in stricter onboarding requirements for businesses and slower settlement speed. It could also lead to Faster Payments participants collecting more data, to allow them to assess different risk profiles.</p>

Question	Evidence summary
<p><b>8 Should any new payment protection arrangements be extended to recurring and variable recurring payments? Why (not)?</b></p>	<p>Payment acceptance service providers generally responded that it isn't necessary to have additional protection for variable recurring payments (VRPs). Some said the OBIE had already consulted on this topic and implemented additional measures for VRPs. Faster Payments members generally thought protection between single and recurring payments should be the same. Some said that VRPs need more consideration because they are riskier. Others stated that sweeping would also need to be considered.</p>
<p><b>9 To what extent do you think payment protection for recurring and variable recurring payments should be extended beyond the last payment?</b></p>	<p>Respondents generally agreed that a well-defined end point would be necessary, but that the limit should be determined by the payment purpose. Some respondents thought the same limit should apply regardless of whether a payment is single or recurring. Some said that the existing legislation is sufficient. They stressed that the cost of additional liability would create a barrier to entry for PISPs.</p>
<p><b>10 To what extent do you think a threshold value should be used to determine which payments are covered under payment protection, and if you agree a threshold should be used, what do you think that threshold should be?</b></p>	<p>There was no consensus on whether a threshold value should be used among respondents. Some suggested it could follow the same thresholds as are used in the chargeback system for card payments. Some respondents, in particular consumer representatives, were against a threshold, saying it would affect vulnerable consumers the most. Others thought it was too early to consider the details of any liability arrangements.</p>

Question	Evidence summary
<p><b>11 To what extent are you currently able to identify different types of payments?</b></p>	<p>There was great variation in respondents' ability to identify different payment types. Some said they could indicate all types of payments. Others said they could identify retail purchases if they had a service contract with the retailer. Others admitted they had limited ability to identify payment types.</p> <p>Some respondents pointed out that privacy requirements could affect the ability to identify payment types. Others said that ISO 20022 would increase the ability to identify payment types; they suggested this should only be considered as part of the New Payments Architecture.</p> <p>Pay.UK said they have a role to play to help Faster Payments participants with the identification of payment types through the use of data, standards and technical solutions. Pay.UK's view is that it may be necessary to develop a retail overlay with the ability to vary the payment journey so that the flow of non-purchase Faster Payments transactions is not disrupted.</p>
<p><b>12 Do you think a combination of use case and transaction value should be used to determine which payments are covered under payment protection? Why (not)?</b></p>	<p>Respondents generally thought purchase protection should be based on multiple factors (e.g. payee type, use case, value, trusted account, etc) and be relative to the payment risk. Some respondents said purchase protection similar to the chargeback system in card schemes would result in excessive costs. Respondents also said that using complicated models to decide which payments are covered by protection would lead to concerns for consumer education.</p>
<p><b>13 Do you think the relationship between sellers and their PSPs might be affected if protection is offered on a use-case basis? Why (not)?</b></p>	<p>Most respondents agreed that purchase protection would increase costs and pass those costs on to the customer. They also expressed concern that it would make the payment method less competitive. Respondents stressed that a commercial model would need to be created if purchase protection is introduced. Some responses said stricter onboarding requirements could have large disadvantages for SMEs.</p>
<p><b>14 To what extent are you currently able to identify the different types of payee? Including whether the payee is a business, organisation or a consumer?</b></p>	<p>Most respondents said that they could distinguish between certain categories of payees. Some stated that Confirmation of Payee is a useful tool to help identify payee type. Others stressed that identifying SMEs may be more difficult as they may hold personal accounts. Some responses pointed out that ISO 20022 could help identify payee types.</p>

Question	Evidence summary
<p><b>15 Do you think the identity of the payer and payee should be used to determine which payments are covered under payment protection? Why (not)?</b></p>	<p>Payment acceptance service providers said again that additional protection is not needed at the moment. They stressed that introducing purchase protection like the chargeback system used in card schemes would introduce disproportionate costs and create a barrier to entry for PISPs. They said the development of purchase protection should come from commercial propositions. Some Faster Payments members highlighted that, although useful, the payee/payer's identity would not be sufficient by itself and that message standards would need to be changed. Some were concerned about compliance with data protection regulation.</p>
<p><b>16 To what extent would a consumer protection governance process be beneficial for interbank payments?</b></p>	<p>Some respondents said that more analysis would be needed to define a governance framework and justify the need for one. Others said that a framework that includes liability and dispute resolution arrangements would be crucial.</p> <p>Respondents suggested we play a facilitating role to help develop a dispute resolution framework and a scheme where providers commit to minimum standards. Others suggested we should collaborate with the OBIE on governance.</p>
<p><b>17 Would having a standardised process for claiming consumer protection make you more confident in using interbank systems or recommending them for retail purchases to your customers? Why (not)?</b></p>	<p>Most respondents acknowledged that standardisation could be useful to increase trust in the payment system and increase consumer awareness about protection processes. Some pointed out that a standardised process would be too expensive to develop at this stage and would require an economic model to operate.</p> <p>Some respondents said that standardisation could be especially useful for those who are not confident in their financial literacy.</p>
<p><b>18 To what extent can promoting consumer awareness around the level of protection offered (including by the suggestions outlined in paragraphs 5.5 and 5.6 [of the consultation paper]) help to empower consumers to make choices that protect them?</b></p>	<p>Most respondents recognised the need to improve knowledge about consumer protection. It was suggested that one way of doing so could be explaining the differences between payment methods using terminology that consumers understand. Some pointed out that education may only be of limited help for the financially less confident, as they are often the most difficult to reach. Some respondents also pointed out that, although useful, the creation of a trust mark may be costly.</p>

Question	Evidence summary
<b>19 Who do you think is best placed to ensure consumers understand the protections offered to them and why?</b>	Most respondents said the responsibility for educating consumers should be shared by the payments industry, the public sector and retailers. Some respondents thought regulatory oversight could be useful in this case.
<b>20 Which party involved in an interbank payment do you think a consumer is most likely to ask to resolve a dispute and why?</b>	Respondents generally thought consumers would go to their retailer first and would only approach their own payment service provider after that.
<b>21 How, if at all, would your response change if retail purchases through interbank payment systems were to increase?</b>	Most respondents indicated it wouldn't change their response and thought that consumers would still approach their retailer first, as they still hold the primary relationship with their customers. Others acknowledged that if retail purchases with higher risk levels move across to interbank payments systems, new requirements may be necessary.
<b>22 To what extent do your current communication channels allow you to effectively address consumer enquiries and issues with other parties involved in a disputed interbank payment?</b>	<p>Payment acceptance service providers said they often have difficulty contacting other industry participants. They also said their customers can complain via internal processes and are generally forwarded to the retailer for purchase disputes. Faster Payments members pointed out that although communication channels exist, they were not designed to settle purchase disputes.</p> <p>Some respondents suggested communication at the point of sale could increase consumer awareness. They said that 'automation and machine learning' could improve efficiency.</p>

Question	Evidence summary
<p><b>23 To what extent do you prefer any of the options as outlined in paragraphs 5.18 to 5.27 [of the consultation paper], or any alternative options we should consider?</b></p>	<p>Payment acceptance service providers reiterated that they thought no additional purchase protection is required at this stage. They stressed that if additional protections are developed, these should be done by industry.</p> <p>Faster Payments members thought the same rules should apply for all Faster Payments participants, including Account Servicing Payment Service Providers and Third-Party Providers. They did not favour voluntary models.</p> <p>Some respondents said more analysis was needed to determine a governance framework. They said the rules would need to apply to all participants equally and be enforceable.</p> <p>Pay.UK suggested that a retail overlay should be considered.</p>
<p><b>24 Who do you think is best placed to enforce interbank consumer protection claims against both payment initiators and payment service providers?</b></p>	<p>Most respondents agreed a central body should enforce compliance with standards. Respondents did not agree on which body is currently best placed. Some suggested that a new governance system may be needed; or an existing organisation would need more responsibilities and tools to ensure compliance. Others said that regulatory oversight over compliance would be useful.</p>
<p><b>25 To what extent do you think legislative or regulatory intervention is required to introduce a process that allows consumers to raise an interbank payment dispute?</b></p>	<p>Most respondents thought that regulatory intervention would be disproportionate at this stage. Some respondents pointed out that existing legislation already provides sufficient levels of protection; others thought more analysis on costs would be needed to justify any intervention.</p> <p>Some respondents, however, supported either regulatory intervention to set standards, or legislative change to widen the remit of Faster Payment rules. Others suggested that the PSR should monitor the growth in Faster Payments volumes and could play a coordination role to develop a common dispute resolution framework and an accreditation scheme where providers commit to minimum standards.</p>

Question	Evidence summary
<b>26 Do you agree with our assessment of the likely costs and benefits?</b>	<p>Most respondents focused their response on the likely costs of protection. Some stated that additional purchase protection would significantly increase costs and make interbank payments less competitive compared to card payments. Others stated that the benefits from additional purchase protection would be limited because the risks to consumers are currently low. Some respondents said more analysis would be needed to understand the severity of certain costs and unintended consequences.</p>
<b>27 Which costs and benefits do you think are likely to be the most significant and why?</b>	<p>Consumers and their representatives thought the benefits of purchase protection would outweigh the costs. Payment acceptance service providers and the trade bodies representing them thought purchase protection would create additional costs for PISPs. This could cause PISPs to exit the market or be prohibited from entering the market. This would reduce competition between interbank and card payments. Other respondents also thought the costs related to purchase protection, including the cost of acceptance, regulatory asymmetry, and moral hazard, would be substantial.</p>
<b>28 Who do you think would and should bear the cost of additional consumer protection and/or governance?</b>	<p>Some respondents thought the costs should fall on retailers. Others thought that Faster Payments members should bear the costs but could recuperate them through a commercial model. Others also thought more analysis was needed.</p> <p>Some respondents stressed that consumers should not bear the cost of protection. Others thought that costs are likely to be indirectly passed on to consumers.</p>
<b>29 To what extent would consumer protection measures introduce significant costs to your business or the need to change service contracts with your customers?</b>	<p>Most industry participants agreed that purchase protection would introduce significant costs and would be likely to affect their business model. Some agreed that it would require changes to contracts and that purchase protection could change the banking relationship for business clients. Consumers and their representatives thought that the cost of protection would be related to the payment risk level.</p> <p>Respondents were in favour of taking a phased approach to consumer protection.</p>

# Annex 2

## Glossary

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Expression or abbreviation	Definition
<b>Account servicing payment service provider</b>	An organisation which provides and maintains a payment account for a payer as defined by the Payment Services Regulations 2017.
<b>Confirmation of Payee</b>	An account name checking service that helps to make sure payments aren't sent to the wrong bank or building society account. For more information, see <a href="https://www.psr.org.uk/our-work/app-scams/">https://www.psr.org.uk/our-work/app-scams/</a> .
<b>Contingent Reimbursement Model Code</b>	An industry code which came into force in May 2019 and requires signatories to reimburse customers for Authorised Push Payment (APP) scams if they've done nothing wrong. An APP scam is when a person or business is tricked into transferring money to a fraudster, thinking that they are sending money to a legitimate person or company. For more information, see <a href="https://www.psr.org.uk/our-work/app-scams/">https://www.psr.org.uk/our-work/app-scams/</a> .
<b>Faster Payments</b>	A payment scheme owned and operated by Pay.UK which enables mobile, internet, telephone and standing order payments to move quickly and securely from one account to another, 24 hours a day. For more information, see <a href="https://www.fasterpayments.org.uk/">https://www.fasterpayments.org.uk/</a> .
<b>Interbank payments</b>	Payments which allow money to be transferred directly from one account to another.
<b>Open Banking</b>	Open Banking lets people share their payment account information with third-party providers. This, in turn, allows the providers to develop new products and services that could help consumers and businesses get a better deal.

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Expression or abbreviation	Definition
<b>Open Banking Implementation Entity</b>	The delivery organisation working with the nine largest banks and building societies in Great Britain and Northern Ireland, and other stakeholders, to define and develop the required APIs, security and messaging standards that underpin Open Banking. For more information, see <a href="https://www.openbanking.org.uk/about-us/">https://www.openbanking.org.uk/about-us/</a>
<b>Pay.UK</b>	The operator of the UK's national retail payment systems: Bacs (including Direct Debit), Faster Payments and the Image Clearing System (the digital way to process cheques). For more information, see <a href="https://www.wearepay.uk/">https://www.wearepay.uk/</a> .
<b>Payment initiation service provider</b>	An organisation which initiates a payment order at the request of the payment service user with respect to a payment account held at another payment service provider.

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