

Dame Harriett Baldwin MP  
Chair  
Treasury Select Committee  
House of Commons  
SW1A 0AA

15 May 2024

Dear Dame Harriett

In recognition of the Committee's continued interest in the PSR's work to tackle Authorised Push Payment (APP) scams, I am pleased to provide a progress update on the implementation of our measures to protect consumers and introduce better incentives on Payment Service Providers (PSPs) to prevent APP scams.

As the Committee will be aware, fighting APP scams is one of our key priorities. Our goal is to prevent scams from happening in the first place by incentivising greater use of data and strengthening the rules to make sure industry introduces measures to make it harder for criminals to use the Faster Payments System. We are already seeing our incentives working, with firms introducing new fraud prevention techniques and a significant increase in fraud solutions available.

At the same time as more scams are prevented, it is important that victims of APP scams are protected when they do occur. The new reimbursement requirement will introduce consistent minimum standards for firms to reimburse victims of APP scams from 7 October 2024. The policy will lead to a significant shift in firm behaviour, greater levels of information sharing and more effective fraud prevention across the payments industry. For the first time the cost of reimbursing victims will be shared equally between sending and receiving firms to incentivise both firms to detect and prevent fraud, and so protect consumers. We expect this improved protection will lead to increased confidence in UK's Faster Payments. What is more, we currently consulting on extending the requirements to CHAPs, consistent with the proposed changes the Bank of England has made to include reimbursement within the CHAPs scheme rules.

There is a significant amount for industry to deliver by 7 October. With less than six months to go, firms' preparations are gathering momentum. Some of the key steps we expect to see firms taking are:

- Doing more to prevent scams by investing in systems and processes to detect and prevent scams, and making use of available data and technology
- Reassessing their fraud risk management to make sure it is fit for purpose, and/or reassessing their transaction limits to ensure that they remain within their risk appetite
- Engaging with Pay.UK on the development of the reimbursement claim management system, which supports firms to communicate about, and manage, APP scam claims
- In coming months, communicating transparently to consumers and taking proactive steps to notify consumers of the protections available under the new policy

We understand that the reimbursement requirement will be a significant change for industry. Reflecting this, we are working with all parties to support timely and effective industry readiness ahead of 7 October 2024. As well as facilitating industry-wide engagement to help firms prepare, we are also working alongside Pay.UK to drive consistent understanding of our requirements and support the development of operational guidance. We are also ensuring that the Financial Ombudsman Service is well supported in hearing any appeals under the requirements. We are encouraged by the progress and will continue to support all firms in their preparations.

There is still a lot for Pay.UK to deliver and we are working with them to manage the risks to delivery. I am pleased to report that since Aidene and I appeared before the Committee on 30 January, Pay.UK has made progress in developing the claim management system. This system will enable firms to communicate about, and manage, APP scam claims. It will further allow firms to report data to Pay.UK so it can monitor and manage firms' compliance with its new rules.

In March Pay.UK announced the vendor for this system and has since worked closely with industry to design the system and ensure it meets firms' requirements. Industry feedback on the system design has been positive and Pay.UK is now building the system in line with these requirements. Reflecting good practice programme management, Pay.UK and industry have together developed contingency arrangements to facilitate inter-firm communication and reporting.

These contingency arrangements mitigate the risk that individual firms are not able to onboard to the system or if the system is not fully ready by 7 October.

In addition, we have worked with Pay.UK to design a data reporting and compliance regime which places proportionate and phased obligations on industry to support timely and effective readiness. Pay.UK's work on the claim management system, the contingency process and compliance arrangements will ensure that industry can implement the reimbursement requirement by 7 October.

We will continue to monitor industry and Pay.UK's progress towards timely and effective implementation and to provide support where needed. I can assure the Committee that we are doing everything we can to ensure the implementation of reimbursement requirement and consumers will be protected from the 'go live' date of 7 October.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Hemsley", with a large, stylized flourish at the end.

Chris Hemsley  
Managing Director