

Policy Statement

The Faster Payments APP scams reimbursement requirement: compliance and monitoring

July 2024

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1 Executive summary

Background

- 1.1** In 2023 we published policy statements [PS23/3 Fighting authorised push payment fraud: a new reimbursement requirement](#) and [PS23/4 Fighting authorised push payment scams: final decision](#). These policy statements set the detailed parameters for the Faster Payments Scheme (FPS) authorised push payment (APP) scams reimbursement requirement. We also published three legal instruments that give effect to the policy.
- 1.2** The reimbursement requirement policy will:
- incentivise the payment industry to invest further in end-to-end fraud prevention by requiring every payment service provider (PSP) in scope of the policy to meet the cost of reimbursement
 - increase customer protections so most victims of APP fraud are swiftly reimbursed, boosting confidence in the UK payment ecosystem
 - support us to pursue our long-term ambition for Pay.UK to take on a broader role, including to actively improve the rules governing Faster Payments to tackle fraud in its role as the payment system operator.
- 1.3** The start date for the reimbursement policy is 7 October 2024. It is crucial that PSPs continue the work already underway to prepare and ensure they are ready to implement the requirements. This will support confidence in Faster Payments, consistency of customer outcomes and fair division of liability between sending and receiving PSPs. We know that these incentives are already working, with many PSPs taking significant steps to improve end-to-end fraud prevention.
- 1.4** As the operator of Faster Payments, Pay.UK is responsible for monitoring all directed PSPs' compliance with the FPS reimbursement rules. Where necessary, and where it has the powers to do so, it will take action to manage compliance. Pay.UK has now published its compliance monitoring regime, following PSR approval of it.
- 1.5** To implement the reimbursement requirement, Pay.UK has made changes to its rules, including to place obligations on PSPs to provide data in the manner and form it requires. Pay.UK will also provide the reimbursement claim management system (RCMS) and will be requiring all members of Faster Payments (by which we mean those who are direct participants) to use it by 1 May 2025. This will ensure that PSPs can effectively manage FPS APP scam claims, communicate in respect of claims and easily comply with data reporting requirements.
- 1.6** To ensure the compliance regime is consistent across all Faster Payments participants (both direct and indirect), we are placing reporting obligations in our Faster Payments APP scams legal instruments. This mirrors the approach we have taken to implementing other aspects of the reimbursement policy.
- 1.7** Our approach to setting data reporting and information management requirements is pragmatic and will support effective and timely implementation. We have considered the appropriateness of and potential impacts of our proposals on PSPs in the proportionality assessment and cost-benefit analysis we have published alongside this policy statement.

Confirming the requirements for 7 October 2024

- 1.8** To deliver timely certainty for all in-scope PSPs, we are confirming the requirements that must be in place for the FPS APP scams reimbursement policy start date of 7 October 2024. We have fully considered the feedback received to our consultation. Where necessary we have amended our final requirements, to ensure that they are both reasonable and proportionate. We have provided a summary of the compliance monitoring proposals we are finalising through this policy statement and legal instruments Specific Direction 19 ([SD19](#)), Specific Direction 20 ([SD20](#)) and Specific Requirement 1 ([SR1](#)), in Chapter 2.
- 1.9** We have taken a flexible approach in setting these requirements. PSPs will have choice in how they communicate in respect of FPS APP scam claims and how they manage these claims, just as they do now. This includes using Pay.UK's RCMS, Best Practice Standards system (BPS) which is used by some PSPs for APP scam claims under the Contingent Reimbursement Model or other manual means. This flexibility will enable in-scope PSPs to use the method that best works for them (either because it allows a longer transition from existing systems or a simpler approach for smaller firms with lower transaction volumes) but also ensures that the focus can remain on delivering effective consumer reimbursement from 7 October 2024.
- 1.10** We recognise that alongside the benefits this flexibility will drive, it may also create some challenges. In light of this, we are not requiring the retention or reporting of all compliance metrics in the [compliance data reporting standard](#) (CDRS) and are instead focusing on the core compliance metrics under reporting standard A, which allow Pay.UK to effectively monitor compliance from the policy start date.
- 1.11** This policy statement confirms:
- the requirement for directed PSPs to register with Pay.UK by 20 August 2024. This is one way that PSPs will identify themselves as in-scope of the policy to Pay.UK and will help facilitate a shared directory – the FPS Reimbursement Directory. This directory will enable PSPs to find one another's contact details so that they can meet the requirements in the FPS reimbursement rules and our policy, and communicate in respect of FPS APP scam claims received
 - the data under reporting standard A that sending PSPs in-scope of the policy are required to retain and report to Pay.UK monthly in respect of transactions they have sent, to enable it to effectively monitor compliance with the FPS reimbursement rules
 - the reasonable limits we are placing on Pay.UK in respect of the use and disclosure of the compliance data it receives
 - our approach to requiring PSPs to inform consumers of their rights under the policy.

These changes will be delivered through amendments to our Faster Payments APP scams legal instruments [SD19](#) and [SD20](#) (including the [CDRS](#)) and [SR1](#). This package of amendments will drive effective compliance monitoring from the policy start date of 7 October 2024.

Looking beyond October 2024

- 1.12** We are satisfied that the requirements we are confirming give in-scope PSPs sufficient clarity to implement the policy by 7 October 2024 – the requirements being confirmed here are all those necessary for the policy to be effective from this start date. However, we share industry’s view that a single system used by all in-scope PSPs is the most effective way to facilitate inter-PSP communication, claim management and data reporting as the policy begins to bed in. We consulted on two other requirements set out below to support this outcome, and in response to the feedback received through consultation we are not, through this policy statement or our legal instruments, confirming these now.
- 1.13** These are:
- our proposal to require all in-scope PSPs to comply with Pay.UK’s FPS rule to use the RCMS
 - whether and when reporting standard B may come into effect.
- 1.14** We want to ensure that there is good quality information available about these proposed requirements so that stakeholders can provide full and informed responses to them. In addition, confirming these requirements is not necessary for the delivery of effective consumer protections and reimbursement from 7 October 2024. While the RCMS has an important role to play, PSPs can use existing processes to effectively communicate and manage claims, aided by Pay.UK’s FPS Reimbursement Directory.
- 1.15** Through the consultation, we received general broad support for a single system for all PSPs, to deliver FPS APP scams claims management, inter-PSP communication and data reporting. However, we are clear that there must be a full assessment of the costs, benefits and impacts of using the RCMS before we can make a decision as to its use. We also recognise the importance of industry having all the necessary information to provide quality responses and fully assess the impact of the proposals on them, to enable us to make informed decisions.
- 1.16** That said, it remains our current view that a single system used by all in-scope PSPs and provided by Pay.UK in its role as the operator of FPS, is core to the implementation of the reimbursement requirement over the medium-term and as soon as feasible, once the policy has bedded in.
- 1.17** In recent weeks and months, Pay.UK has made important progress designing and building the RCMS. This includes issuing draft contracts and commercials. However, to put in place a statutory requirement for all PSPs (both direct and indirect) to use the system, it is imperative that Pay.UK also provide:
- a transition plan to the RCMS, including a date for when the full-functionality of the RCMS will be available to all PSPs
 - details of the final commercials – including the medium to long-term costs and pricing structure
 - a robust contractual framework.

- 1.18** In late 2024 we therefore intend to consult on proposals to require use of the RCMS and on whether and when a shift to reporting standard B could take place. This will ensure we receive informed, quality feedback, to inform our assessment of proportionality and our final decision.
- 1.19** This approach allows industry to focus on the successful delivery of the policy for the 7 October 2024 start date, and additional time to consider this information once available. We are committed to holding Pay.UK to account to ensure the timely delivery of these dependencies.
- 1.20** We recognise the extensive work underway to prepare for implementation, so we intend to consult after the policy start date and once more detailed information on the RCMS is available. Following consultation, should we require use of the RCMS, it may be possible to bring this requirement into effect by 1 May 2025, the date by which all direct PSPs are required to comply with Pay.UK's FPS rule requiring use of the RCMS. We will keep timings under review and remain open to considering all available options through this future consultation.
- 1.21** We recognise that in the weeks since our consultation closed Pay.UK has continued to engage and share information about the RCMS. We encourage PSPs to continue to engage with Pay.UK and to onboard to the RCMS as early as possible to enable delivery of the FPS Reimbursement Directory, and onto the full-functionality RCMS, if content with the arrangements.

2 Introduction

In [CP24/3 The FPS APP scams reimbursement requirement: compliance and monitoring](#) we consulted on the proposed data and information that PSPs be required to provide to Pay.UK to enable it to fulfil its compliance monitoring role, and for the PSR to monitor compliance with our directions. This will deliver the final requirements for policy implementation.

This document provides a summary of the responses we received to our consultation and our view on points raised by respondents.

Background

- 2.1** As the operator of Faster Payments, Pay.UK is creating and implementing a compliance monitoring regime for all requirements across all in-scope PSPs (including indirect participants), as required by SD19. This approach acknowledges that, in conjunction with industry, Pay.UK is best positioned to assess the most effective and efficient monitoring approach.
- 2.2** The proposals confirmed in this document and implemented via amendments to SD19 and SD20 will enable Pay.UK to collect data from all in-scope PSPs. Where there is potential non-compliance and where it has the power to do so (for direct participants), Pay.UK will then take steps to address non-compliance with the FPS reimbursement rules. We will be responsible for enforcing compliance with our directions, including the compliance of in-scope indirect Faster Payments participants.
- 2.3** The PSR has approved Pay.UK's monitoring regime, which was published on 7 June 2024. This policy statement sets the requirements for FPS APP scams data collation, retention and reporting (and associated requirements) that will enable Pay.UK to effectively monitor compliance with the FPS reimbursement rules in line with its approved regime.
- 2.4** We note that as a result of the confirmed requirements, Pay.UK must amend its approved monitoring regime so that it is aligned. The PSR must then approve this amended regime. We are engaging Pay.UK on this to give industry clarity as soon as possible.

Overview of final policy positions – confirming the requirements for 7 October 2024

- 2.5** Table 1 provides a summary of our final policy positions on key compliance monitoring consultation proposals. Further rationale and detail on all of the final positions is set out in this policy statement.

Table 1: Summary of our final policy positions

Requiring all PSPs to register with Pay.UK	All PSPs are required to register with Pay.UK by 20 August 2024. This requirement will be contained within Pay.UK's FPS rules. Placing it in SD20 ensures that the requirement will apply to all PSPs – both direct and indirect – in scope of the policy. We'd encourage PSPs to register as early as possible to ensure completeness of the shared register – the FPS Reimbursement Directory.
Data reporting requirements	The data and information that PSPs must collate, retain and provide to Pay.UK is contained in the CDRS which has been published alongside this policy statement. SD20 requires directed PSPs to comply with the CDRS. We have made minor amendments to the CDRS in response to feedback received through the consultation. All directed PSPs are required to comply with the record keeping requirements contained within the CDRS from 7 October 2024, regardless of which reporting standard is in place.
Reporting standard A	We confirm that reporting standard A in the CDRS will come into effect on 7 October 2024. Under SD20 and reporting standard A, sending directed PSPs are required to: <ul style="list-style-type: none">• collate and retain only that data that falls within reporting standard A• report standard A data to Pay.UK monthly, on cases closed in the reporting period, to enable the monitoring of compliance from the policy start date. We have amended the date that in-scope PSPs must submit the first report to Pay.UK by, to 6 January 2025 – the data to be contained in that report is unchanged, as are the future reporting dates and contents. We confirm that Pay.UK must specify the means by which PSPs are required to report data to it under reporting standard A, in its rules. There is provision included which allows Pay.UK to determine a reasonable alternative reporting method where necessary.
Reporting standard B	We confirm the data contained within reporting standard B in the CDRS. This means it is clear to directed PSPs what standard B will contain, should we decide to bring it into effect. We are not confirming the date for reporting standard B to come into effect and intend to consult on this in late 2024.
Information and record-keeping provisions	We have not made any changes to the requirements on in-scope PSPs to: <ul style="list-style-type: none">• assure themselves, in the manner required by Pay.UK and set out in its FPS rules, of the accuracy and quality of the reported data• comply with the record keeping obligations and store data and information on secure systems.

We have made minor changes to:

- require PSPs to provide timely responses to appropriately scoped and reasonable requests for data and information from Pay.UK, where Pay.UK has reasonable grounds to suspect that an in-scope PSP is not compliant, or that there is a reasonable likelihood that a directed PSP will not be compliant. We have also specified that Pay.UK must include its reasoning and supporting evidence in the data and information request
- the record-keeping obligations that apply to all in-scope PSPs.

Data reporting principles – scope of claims reported

In the consultation, we set out the reporting boundary for information only, and have not made any changes to it:

- any issue raised by a consumer that may potentially be within the scope of the FPS APP scams reimbursement requirement must be collated, retained and included in the data reported to Pay.UK, in line with the requirements under reporting standard A.
- PSPs are not required to include issues reported by consumers which are unambiguously not in scope of the FPS APP scams reimbursement requirement, in their reporting to Pay.UK.

We note that the draft CDRS was interpreted by some respondents as requiring PSPs to include any and all consumer issues in their reporting. This was not our intent. We have made a minor amendment to the CDRS to make it clearer that only claims that are in scope for assessment must be reported.

To be clear, even if those claims deemed in scope for reporting are assessed and then deemed as not reimbursable, they must still be included in the data reported to Pay.UK. This is because for such claims, it may not have been possible for the PSP to determine whether they are out of scope from the initial consumer contact.

Process for amending the CDRS

We have changed our approach in response to the feedback received. Should amendments to the CDRS be required after the policy start date of 7 October 2024, we confirm that we will:

- consult on them in line with our [Powers and Procedures Guidance](#), alongside any other proposed changes to our FPS APP scams legal instruments in April or October of any given year (but we may consult on them outside of this period, should urgent changes be required)
 - bring the changes into effect no sooner than 90 days after they are confirmed. The PSR will notify PSPs of the date upon which changes will come into effect, in writing.
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3 Proportionality and cost benefit analysis

We have published an updated and final cost benefit analysis (CBA) which considers the costs, impacts and benefits of the requirements we are confirming through this policy statement and the accompanying legal instruments.

- 3.1** We published a draft CBA alongside our consultation and sought feedback on it. We noted that APP scams are a significant social problem and that our measures to incentivise better prevention of Faster Payments APP scams and ensure that victims are appropriately reimbursed are a key consumer protection.
- 3.2** The proposals we consulted on enable Pay.UK to own and lead the monitoring of PSPs' compliance with the FPS reimbursement rules – with the data reporting requirements being phased in over time. An amended specific direction from the PSR to PSPs is necessary to require in-scope PSPs to report data to Pay.UK for Faster Payments APP scams compliance monitoring. Pay.UK does not have sufficient powers to require such data and information from PSPs. Without a further specific direction, it could not obtain data to effectively monitor compliance. We are placing reasonable limits on what Pay.UK can and will do with the data and information it receives, including in respect of disclosure, and have refined these requirements following the consultation.
- 3.3** We consider that regular provision of quality data is key to ensuring that consumers are being reimbursed under the policy as required, and that any compliance issues can be identified and addressed by Pay.UK (and the PSR as required, including in respect of our directions). Consultation feedback from consumer groups agreed with this, noting that there needs to be a clear delineation of responsibility between Pay.UK and the PSR.
- 3.4** We are taking a fair approach to data reporting, to manage the potential burden on PSPs, and the costs of reporting. Phasing the reporting of data and limiting that which must be reported to core compliance metrics will effectively manage any reporting burden on firms, and the associated costs, balanced against the importance of Pay.UK receiving sufficient and good quality data to effectively monitor compliance with the FPS reimbursement rules.
- 3.5** As set out earlier in this document, we are not including the requirement that all directed PSPs comply with Pay.UK's rule to use the RCMS and the potential move to reporting standard B. We intend to consult on these in late-2024. We have listened to the feedback received on the CBA in respect of these issues and summarised it below. In our view, to respond to the feedback received, it will be better for us to reconsult on requiring the use of the RCMS when there is additional information available about it. This will enable us to fully assess whether requiring its use is reasonable and proportionate, and to assess whether the RCMS will deliver the intended outcomes.

3.6 It remains our provisional view that a single system used by all in-scope PSPs and operated by Pay.UK, would deliver the most effective operation of the policy – including in respect of consumer outcomes and supporting compliance monitoring – by significantly reducing the data-reporting burden on in-scope PSPs, and we look forward to engaging on this later in 2024.

General feedback received

3.7 Most respondents – including PSPs, industry and trade bodies, and a consumer group – acknowledged the importance of good quality data to ensure consumer reimbursement and the effective monitoring of compliance.

3.8 However, most respondents also felt that the draft CBA was lacking in detail in respect of the costs and impacts considered in respect of the RCMS, making it difficult for them to comment, or meaning that they disagreed with elements of it. Respondents – including industry and trade bodies, and PSPs, expressed similar views that the detail on costs was significantly lacking, and a number of costs had not been factored into the CBA. This includes:

- initial establishment and onboarding costs
- the costs of manual reporting, costs of migration from BPS, costs of inter-PSP disputes, or the costs of updating terms and conditions
- some administrative costs to PSPs – including staff training costs or resource implications. One respondent did note that members to the existing voluntary CRM Code could provide indicative headcount implications based on their prior experience. However, no evidence was submitted as part of their response
- the costs of an inter-PSP dispute resolution mechanism.

3.9 Several PSPs noted that not all of the baseline scenarios had been analysed – including for example the costs of manual reporting.

Specific feedback received on the RCMS

3.10 A few industry respondents noted that they did not feel they could fully respond to the question of whether they agreed with the CBA due to the lack of available information on details and functioning of the RCMS.

3.11 Respondents generally felt that without sight of the information underpinning the assumptions contained within the CBA, it is difficult to assess the proportionality of the proposals in respect of the RCMS. For example, some respondents shared the view that there is a lack of information in respect of the technical specifications or standards for it.

3.12 It was also not clear to all respondents where the assumption that the costs of the RCMS will be applied fairly across PSPs came from, and some respondents asked to further understand the rationale for the conclusion that the costs of the system would be only marginally higher than current costs. Some also felt that a 10 – 13% increase in price per click represents a significant increase.

3.13 One organisation agreed that policy implementation would be more effective through mandating the use of RCMS, and that without a single-system used by all PSPs, there would be an increased cost to industry. This respondent also noted that monitoring data may be poorer quality and that the absence of a system would make the monitoring of compliance more challenging.

3.14 In respect of costs for the RCMS, respondents expressed views that:

- the plan and timing for in-scope PSPs to onboard to the RCMS had not been provided (and therefore any costs of onboarding have not been factored into the CBA)
- the overall costs of the RCMS, the proposed pricing structure, and when charging will commence were not clear to respondents. Some respondents expressed views on possible pricing options – with some preferring FPS transaction volumes and others preferring costs to be based on system use to incentivise fraud controls.
- as the RCMS only deals with APP fraud, there will be costs associated with running systems for different kinds of fraud that have not been considered
- the costs and resource implications for those PSPs already using another system, to migrate to the RCMS
- there was no information about the legal or commercial arrangements or the obligations flowing from these which makes it difficult to assess the impacts of the proposal to use the RCMS and whether it will deliver benefits for PSPs
- POND principles (proportionate, objective, non-discriminatory) should be used for pricing and that costs should be based on transaction volumes, case volumes or both
- costs need to be split proportionate to PSP size and the scale of scams.

Our view

3.15 It is helpful for respondents to have highlighted the areas where they considered that there were gaps or a lack of detailed information within the draft CBA. We recognise the importance of stakeholders having access to all available information to support good quality and informed consultation responses, and that our draft CBA would benefit from additional detail in some areas – particularly in relation to the RCMS.

3.16 In considering or finalising regulatory requirements, we must ensure that we have been able to properly and appropriately assess the costs, benefits, risks and proportionality of them.

3.17 Therefore, as set out in detail in Chapter 9 we will reconsult on proposals for all in-scope PSPs to use the RCMS and on whether and if so when to move to reporting standard B, in late-2024. This consultation will also include a draft CBA which will focus specifically on those proposals.

3.18 The final CBA that we are publishing therefore focuses solely on the costs, benefits and impacts of the requirements that we are confirming in this policy statement and delivering via amendments to our FPS APP scams legal instruments SD19, SD20 and SR1. Specifically:

- the requirement for all in-scope PSPs to register with Pay.UK by 20 August 2024 which will support delivery of a directory for FPS APP scam communication and data reporting
- the requirement for PSPs to report the data contained in reporting standard A of the CDRS from 7 October 2024, until such time that reporting standard B comes into effect
- the requirement that the sending PSPs provide standard A data to Pay.UK on a monthly basis
- the requirement for all in-scope PSPs to comply with the record-keeping requirements contained in the CDRS
- the process for amending the CDRS
- the requirements for PSPs to inform consumers of their rights under the policy and update their terms and conditions.

3.19 In response to the feedback received on those elements, we have:

- updated our assessment of the administrative costs of reporting standard A to reflect the costs to firms using the BPS system and the cost of manual reporting for those smaller PSPs not on the BPS system
- reflected the costs of the reporting requirements against our quantitative assessment of the administrative costs of the reimbursement requirement, from our December 2023 policy statement
- considered the marketing, legal and communications costs of the amendments to SD20.

3.20 We consider that this is an appropriate approach and the best way forward given we are at this time confirming a more limited set of policy requirements i.e. those necessary for effective implementation on 7 October 2024.

3.21 We have provided a CBA on these elements in Annex 1.

4 Registration in readiness for the 7 October 2024 start date

We confirm that all in-scope PSPs are required to register with Pay.UK by 20 August 2024. This is one step to enabling delivery of a directory, for PSPs to find contact details for one another so that they can communicate in respect of FPS APP scam claims.

The requirement to register

Our proposal

- 4.1** We proposed to require in-scope PSPs to register with Pay.UK as a user of its RCMS by 20 August 2024.
- 4.2** We set out that registration would enable delivery of a directory function from the policy start date. Through this directory the sending PSP would be able to find contact details for the receiving PSP. This will enable them to communicate in respect of FPS APP scam claims and so that they can provide the reporting standard A data to Pay.UK, as required by SD20.

Feedback we received

- 4.3** There was general support for the requirement to register. Many PSPs stated that they had no issue with the proposed date, providing the process is straightforward. A few PSPs noted that the registration process will be fundamental to the operability and effectiveness of the FPS Reimbursement Directory from 7 October 2024. Some PSPs also noted that registration would support sending PSPs to provide the reporting standard A data to Pay.UK.
- 4.4** A number of PSPs however expressed the view that there was limited information available about the required registration elements, including the information they would be required to provide, the obligations flowing from registration, and the commercial details. Some also expressed concerns that some PSPs in scope of the policy may not identify themselves as being in-scope, and as a result may not register.
- 4.5** Both industry bodies and PSPs noted that an industry-facing project plan with clear deliverables and dates would support and enable PSPs to plan for their own programme delivery.

Proposed date for registration

- 4.6** A few respondents noted that the rationale for the difference in the PSR and Pay.UK's proposed registration date is not clear. Our consultation proposed that registration must be completed by 20 August 2024 and Pay.UK's proposed date was 31 July 2024.
- 4.7** PSPs generally agreed that registration should be required in advance of the policy start date but felt either that the date is ambitious, or that there is not enough information to determine whether it is achievable.

Our view

- 4.8 We confirm that all in-scope PSPs will be required to register with Pay.UK by 20 August 2024.** Registration is a means by which directed PSPs will have effectively notified Pay.UK that they have identified themselves as in-scope of the policy and will provide their contact details. This will support the creation and maintenance of the FPS Reimbursement Directory. We consider that being listed in the FPS Reimbursement Directory, following registration, is a key part of using Faster Payments. It is vital that both direct and indirect participants register with Pay.UK to deliver effective FPS APP scams reimbursement, in the interests of consumers. PSPs should then onboard, to enable the provision of their reporting standard A data to Pay.UK, using the mechanism specified by Pay.UK in its FPS rules, as set out in SD20.
- 4.9** We note that since the consultation closed, Pay.UK has aligned the date in its FPS rules with the date proposed by the PSR, of 20 August 2024.
- 4.10** In considering whether it was necessary to shift the date, we also considered the feedback received that requiring registration prior to the policy start date of 7 October 2024 is a critical step to supporting effective implementation. The confirmed date of 20 August 2024 gives PSPs sufficient notice of the requirement, to enable compliance with it. We agree that all PSPs need to be embedded in the system for the FPS Reimbursement Directory to work effectively. We have provided definitions of 'register' and 'FPS Reimbursement Directory' in our legal instruments.
- 4.11** We have also considered the risks of some PSPs not identifying themselves as being in scope of the policy, and therefore not registering. We and Pay.UK are continuing to engage PSPs and seeking to raise awareness of the requirements. We would encourage all PSPs which provide indirect access to Faster Payments to engage with their indirect customers to help raise awareness of the requirements. Cascading information about the requirement to register will support these ongoing efforts. Our requirement in SD20 for all providers of access to FPS to provide the PSR with a list of their indirect access providers also supports this.
- 4.12** Since the consultation closed, Pay.UK has released additional information about the registration process, which can be found [here](#). We are content that this information effectively responds to the feedback received about the need for greater clarity on the registration process. Having reviewed this information and considered both the benefits of registration and the potential impact of either not requiring registration or extending the date by which it is required, we are content that the process is necessary and straightforward. We are content that requiring it to be completed by 20 August 2024 is reasonable and proportionate. PSPs have just under six weeks from the date of this publication to comply – and the registration window has been open since 7 June 2024.
- 4.13** We have also placed a requirement on Pay.UK to ensure that all directed PSPs are able to register with Pay.UK as soon as practicable and by no later than 31 July 2024. We are content that Pay.UK is already doing that which is necessary to enable all directed PSPs to register, but we consider that setting a backstop date is helpful to ensure all PSPs are able to comply with the registration requirements. We encourage in-scope PSPs to engage with Pay.UK should they have any questions about the process or what is required of them.

5 The CDRS and the data reporting requirements from 7 October 2024

In this chapter we confirm the [CDRS](#), including the details of reporting standards A and B and the reporting boundary.

We also confirm that:

- reporting standard A will be in place from 7 October 2024
- when reporting standard A is in place, the sending PSP is required to collate and retain the data in reporting standard A

We confirm that in-scope PSPs must comply with reporting standard A and report data to Pay.UK using the method specified by Pay.UK in its rules. We have also made provision for Pay.UK to determine a reasonable alternative reporting method, where necessary.

- the first report under reporting standard A must be submitted to Pay.UK on 6 January 2025, and cover the period 7 October to 30 November 2024
- all subsequent reports must be submitted monthly and cover cases closed in the previous calendar month
- sending PSPs must notify Pay.UK if they have not received any FPS APP scam claims in scope for reporting, in the relevant reporting period.

We note that we also consulted on proposed arrangements for reporting in contingency arrangements if the RCMS was not available. However, as we are not at this time requiring all in-scope PSPs to use the RCMS, we are not confirming contingency arrangements.

Compliance data reporting standards (CDRS)

Our proposal

5.1 We proposed:

- using the CDRS to specify the data that in-scope PSPs are required to report to Pay.UK
- using the CDRS to place record-keeping requirements on all in-scope PSPs
- that compliance with the CDRS is required for compliance with SD20
- that should we decide to amend the CDRS, we would publish a notice of the proposed changes on the PSR website in advance of such changes being confirmed, and that any changes would come into effect no sooner than 30 days after being confirmed on the PSR website.

- 5.2** We also set out the boundary of FPS APP scam claims in scope for reporting within the CDRS.

Feedback we received

The reporting boundary

- 5.3** A number of consultation respondents interpreted the proposed CDRS as requiring all in-scope PSPs to include any and all claims in their monthly reports to Pay.UK – even those which at the initial triage stage are determined as unambiguously not an FPS APP scam. These respondents felt that this proposal was not proportionate.
- 5.4** Some respondents queried why consumer claims that have been assessed and subsequently deemed out of scope are proposed for inclusion in the monitoring regime. Others shared their view that only those claims that are raised and assessed as potentially meeting the requirements of an FPS APP scam for reimbursement purposes should be recorded within the RCMS for both claims management and reporting purposes.

Additional datapoints

- 5.5** One respondent felt there were additional datapoints that PSPs should be required to report, including the number and values of payments that a PSP declines to make, and around the impact of a non-automated payment intervention.
- 5.6** One consumer group expressed concerns about the data on vulnerability that firms would be required to collect, noting that there is a risk of under-reporting on vulnerability and a lack of detail. For example, that the proposed CDRS does not include datapoints on consumers that were assessed as being potentially vulnerable but were not deemed as such.

Amending the CDRS

- 5.7** All respondents who provided a response to this question were of the view that the proposal to bring CDRS changes into effect 30 days following the changes being confirmed on the PSR website was not proportionate. A few PSPs noted that 30 days may be acceptable in very limited circumstances, such as where the proposed change is a reduction in the requirements. Respondents felt that any changes should come into effect no less than 90 days after being confirmed, or no less than 180 days where the change is in respect of the data that PSPs are required to report to Pay.UK.
- 5.8** Many respondents also expressed the view that the PSR should consult on all proposed changes – even where the PSR considers that a change may be minor and/or immaterial.

Streamlining other data reporting

- 5.9** We received feedback from some respondents that the proposed data reporting requirements are comprehensive, and that as a result we should look at how our requirements might support and enable the streamlining of other data reporting requirements.

Amendments to the detail of the CDRS

- 5.10** A few respondents provided detailed feedback on the proposed metrics for collation and reporting within the CDRS. Specifically, feedback included:
- that 'international payments' as a reason code for rejection of an FPS APP scam claim should specify that it is international payments, executed as part of a hybrid payments claim, over the Faster Payments scheme
 - that clarity was needed on what constituted a 'timely' response to information requests
 - that our proposed metric 6.1.2 should look to capture the value of the excess applied rather than the value of claims that had an excess applied
 - that clarity was required on the operation of the repatriation metrics given that repatriation can happen after a claim has been closed.

Our view

The reporting boundary

- 5.11** **We confirm that claims which are unambiguously not in scope of the Faster Payments APP scams reimbursement requirement, are not within the scope of the reporting boundary.**
- 5.12** **We confirm that any claim potentially in scope of the Faster Payments APP scams reimbursement requirement which, following assessment, is deemed as not reimbursable, must be included in the sending PSP's monthly reports to Pay.UK, under reporting standard A.**
- 5.13** The CDRS is intended to align with the reporting boundary diagram that we set out on page 16 of the consultation. In summary, if the characteristics of the claim are such that it is clearly not within the scope of the Faster Payments APP scams reimbursement requirement, and this can be determined from the PSP's initial contact with the consumer, these claims are not required for inclusion in the PSP's reporting to Pay.UK.
- 5.14** However, any claim that has characteristics that may place it within the scope of the Faster Payments APP scams reimbursement requirement must be included in reporting, even if, following an assessment by the PSP, it is later deemed out-of-scope for reimbursement.
- 5.15** If a PSP has been required to undertake an assessment to determine whether or not a claim is in scope, this claim (and the outcome of the assessment) is relevant for compliance and monitoring purposes and must be included in reporting.
- 5.16** This data will enable Pay.UK (and the PSR) to identify potential outliers which may indicate a potential compliance issue.
- 5.17** In relation to how this intent is expressed in the CDRS, we note that we consulted on:
- under metric 1.1 only those claims that are deemed 'in-scope for assessment' as being included in reporting
 - from metric 2.1 onwards, the reporting also being limited to only those FPS APP scam claims that are deemed in-scope for assessment.

- 5.18** This excludes claims that are unambiguously not in scope. However, it is clear from the feedback that we received that this intent has not come through sufficiently clearly in the proposals. We have therefore added a new paragraph to the background section of the CDRS to make this even more explicit, as well as making minor amendments to the CDRS to clarify this.
- 5.19** We also note the specific feedback we received on metric 2.3, proposed for inclusion under reporting standard B. Respondents noted that proposing to require reporting on the reason codes for rejection suggests that even claims unambiguously not in scope of the policy must be included in reporting. We wish to be clear that where a PSP needs to undertake an assessment as to whether an FPS APP scam claim is reimbursable, or not – this puts it in scope of reporting. If that claim is then rejected, a reason code must be given under reporting standard B in line with metric 2.3. If a claim can be determined as out of scope at the initial triage stage, it does not fall within the reporting boundary under either reporting standard A or B.

Additional datapoints

- 5.20** We have considered whether the inclusion of data on the impact of non-automated interventions on the making of payments and any delays in payment as a result of any automated intervention is necessary for Pay.UK to effectively monitor compliance with the FPS reimbursement rules and the PSR with our FPS APP scams legal directions, and requirements.
- 5.21** We have in particular considered the proportionality of any such requirement. As the additional datapoints requested for inclusion do not relate to the monitoring of compliance with the FPS reimbursement rules, we consider it is appropriate to limit the datapoints that the sending PSP must retain and report to Pay.UK as the Faster Payments operator, to those we have set out. We consider that this is a proportionate and effective approach. We therefore are not proposing any changes to the CDRS in response to this feedback.

Amending the CDRS

- 5.22** **Any changes to the CDRS will come into effect no sooner than 90 days after they have been confirmed.**
- 5.23** We agree that it will be important for us to understand the impact on in-scope PSPs of any proposed changes to the CDRS, and to ensure that PSPs have sufficient time to implement any changes. We have considered the feedback received and potential options to address it.
- 5.24** We are seeking to balance the need for regulatory certainty while still allowing for flexibility so that we can respond to change as required. Following our consideration of the feedback received, particularly that our proposal would not provide PSPs with sufficient time to make any necessary changes, we have decided to specify that any CDRS changes will come into effect 'no sooner than 90 days' after PSPs have been notified of them (including on our website).
- 5.25** This is a difference of approximately 60 days to that which we consulted on and is aligned with the period that most respondents advised they would require as a minimum in order to implement any changes. Setting a minimum period provides flexibility and allows us to consider an appropriate time period for implementation, with reference to the specific

change(s), and the impact on PSPs. Any consultation on changes will also include seeking input on an appropriate timeframe for implementation.

- 5.26** We will consider the need to consult on changes in line with our Powers and Procedures Guidance. We consider that this strikes the appropriate balance and will give PSPs sufficient notice to implement any changes.

Streamlining other data reporting

- 5.27** In our consultation, we noted that use of a single system would likely result in the smoother running of Measure 1 APP fraud data reporting, making the data checking process quicker and smoother, in the longer-term. It remains our current view that all PSPs using a single system for APP fraud data reporting, operated by Pay.UK, will support the streamlining of data reporting, which may also extend to other reporting requirements. We will keep this under review.

Amendments to the detail of the CDRS

- 5.28** Our response to the specific feedback received on our proposed metrics is set out in Table 2.

Table 2: CDRS amendments

Proposal within the CDRS	Our consideration of feedback, and the final metrics
Scam type data (draft metric 1.2)	We proposed to require provision of scam-type data under reporting standard B. We received feedback that it would be difficult for all PSPs to operationalise this requirement without clear definitions. We have removed this metric from the CDRS and may reconsult on its inclusion at a later date.
Receiving PSP responds to information requests from the sending PSP in a 'timely manner' defined by Pay.UK (draft metric 4.2)	We have not made any changes to the CDRS as we have specified that it is for Pay.UK to define what a timely manner is in its rules, as this is an operational matter.
'international payments' as a reason code for rejection (draft metric 2.3(i)(v))	We have not made any changes to this metric as there may be circumstances in which a transaction appears to a sending PSP at first triage to be domestic, but information from the receiving PSP determines that it is an international payment.
Total value of FPS APP scam claims where an excess was applied (draft metric 6.1)	We have removed this metric from reporting standard B as any metric would need to look at the average excess applied, and we do not consider that this metric demonstrates a firm's compliance. We will keep this under review.

Proposal within the CDRS Our consideration of feedback, and the final metrics

Total value of repatriated funds and proportion of claims where the repatriated amount has been apportioned between sending and receiving PSP (draft metrics 9.3 – 9.5).

Each of the metrics to be reported is in respect of 'Faster Payments APP scam claims in the reporting period that are deemed in scope for assessment'. We are content that this metric is sufficiently clear that any repatriation to be included in reporting is only that which has taken place in the relevant reporting period – irrespective of whether the claim itself was closed in a different reporting period.

A phased approach to reporting the data in the CDRS

Our proposal

- 5.29** We consulted on proposals to place data reporting requirements on PSPs, to enable Pay.UK to effectively monitor compliance with the FPS reimbursement rules. We set out that the information reported would also be available to the PSR to enable us to monitor compliance with our Faster Payments APP scams directions and requirements.
- 5.30** We proposed a phased approach to reporting, with –
- reporting standard A being in place from 7 October 2024 under which all data in the CDRS would be collated and retained, with reporting required on a more limited set of core compliance metrics
 - the first report of the standard A data to be provided to Pay.UK on 2 January 2025 and cover the period 7 October to 30 November 2024
 - reporting standard B being in place from 1 May 2025 under which we proposed that PSPs be required to report a more comprehensive set of Faster Payments APP scams data to Pay.UK (i.e. all data within the CDRS) enabled by Pay.UK's RCMS.
- 5.31** We sought views on whether this proposed approach would balance effective compliance management with the reporting burden on PSPs.

Feedback we received

A phased approach to reporting the data in the CDRS

- 5.32** Respondents expressed broad support for a phased approach to reporting and the intent behind our proposal. Many respondents also supported the principle of clear reporting requirements and record-keeping, and agreed with the core compliance metrics required to be reported under standard A. Some respondents sought clarity on what the required method for reporting standard A data, would be.

- 5.33** However, respondents also felt that the proposed approach to require the retention of all data and records within the CDRS from the policy start date, was not proportionate and would not be effective in managing the data collation and reporting burden on firms. One respondent noted a risk of data accuracy issues if large volumes of data are required to be retained.
- 5.34** These respondents were of the view that the retention of data under reporting standard B should only be required once the RCMS was available, and that only the data under reporting standard A should be retained while standard A remains in place.
- 5.35** One consumer group noted that the PSR must be sure that the pragmatic, streamlined approach and phased reporting from the policy start date would mean that the right type of data is collected to enable it and Pay.UK to gain a holistic view of the performance of PSPs from the policy start date.

Nil reporting

- 5.36** One trade body expressed the view that requiring nil reporting would place a significant burden on its members, many of whom will not send or receive transactions in scope of the policy due to their business models (for example, those that offer primarily business-to-business services). It provided estimates that the top 40 PSPs account for around 90% of the fraud volume – indicating that more than 850 PSPs might be making nil returns on a regular basis.
- 5.37** Another noted that if the PSR is to require monthly nil reporting, then this should be a simple one-line report. Another asked the PSR to consider how the data to be reported under this regime could streamline other regulatory reporting.

The date of the first report

- 5.38** Some PSPs expressed support for the date of the first report and welcomed the temporal gap between the policy start date of 7 October 2024 and 2 January 2025. One industry body felt that the date of the first report was not feasible and asked for it to be delayed. No alternative date was suggested.
- 5.39** Another respondent noted that 2 January 2025 is a bank holiday in some parts of the UK and recommended that the date for the first report be shifted to take account of this.

Reporting standard B

- 5.40** Many respondents, both trade bodies and PSPs, expressed the view that the date for reporting standard B to come into effect is heavily reliant on Pay.UK's delivery of the RCMS, and that it was not possible to provide an informed response on the date, due to a lack of available information about the RCMS. Some felt that reporting standard B should only come into effect once the RCMS is fully functional, confirmed as fit for purpose, and available for integration.
- 5.41** Many commented that while this date may seem reasonable and provide sufficient time for PSPs to prepare to comply with it, it is difficult to confirm that this date is achievable without a robust delivery plan from Pay.UK, which includes time for the RCMS to be tested.
- 5.42** Respondents also noted that there was a lack of information on the process for moving from reporting standard A to B.

Our view

Phased approach to reporting

- 5.43** We are confirming the details of reporting standards A and B and have published the [final CDRS](#) alongside this policy statement. In response to feedback received, we have made minor changes to the data within those standards as set out in Table 2. We will consult on whether and when to require the provision of standard B data in late 2024.
- 5.44** We confirm that sending PSPs in scope of the policy will be required to report standard A data monthly, using the method specified by Pay.UK in its rules. We have also made provision for Pay.UK to determine a reasonable alternative reporting method where necessary. We will require firms to collate and retain only the data set out in reporting standard A of the CDRS, for the period that standard A applies. As set out in SD20, reports must cover all cases closed in the relevant reporting period.
- 5.45** We confirm that all in-scope PSPs, both sending and receiving, must comply with the record-keeping requirements contained within the CDRS.
- 5.46** We understand industry's concerns that the regulatory burden on firms to collate and retain all data within the CDRS from 7 October 2024 (as we proposed) has the potential to be significant for some firms. In response to the feedback received, we have changed our approach to require only the retention of reporting standard A data, while that standard is in place.
- 5.47** We consider that this approach appropriately responds to feedback received and strikes an effective and fair balance between managing the reporting and retention burden on firms whilst enabling Pay.UK to monitor and assess the extent of compliance for all in-scope PSPs. The streamlined data required to be retained and reported is necessary for the effective monitoring of compliance from the policy start date and in the interests of consumers, but will effectively manage the reporting burden on firms, resulting in a proportionate and effective approach.
- 5.48** We have considered the need to provide flexibility in how data is reported, to ensure that all PSPs can report data to Pay.UK under standard A, given that, at the time of the consultation, some respondents felt additional clarity was needed on the method of reporting.
- 5.49** It remains our view that registering, onboarding, and using the method specified by Pay.UK will be the most effective way to report standard A data and to manage any reporting burden. We have also made provision for Pay.UK to determine a reasonable alternative reporting method where necessary.
- 5.50** We have made one minor amendment to the record-keeping requirements in the CDRS to clarify exactly what in-scope PSPs are required to retain in respect of records of decisions, to comply with the CDRS. We have specified that '*decision-making records about individual FPS APP scam claims, including the final decision and accompanying rationale for making that decision*' must be retained.
- 5.51** We consider that our confirmed approach to data reporting and retention will reduce the data-accuracy risk raised by one respondent, as the collation, retention and reporting requirements are now significantly streamlined as compared to what we consulted on. In-scope PSPs are still required to ensure that the data they are reporting is accurate, in line with the requirements in SD20.

Nil reporting

- 5.52** In setting the reporting requirements, we remain focused on ensuring that they are reasonable and proportionate and are limited to the data and information necessary to enable Pay.UK to effectively monitor compliance in line with the responsibilities we have given it.
- 5.53** On balance we consider it is appropriate to require sending PSPs in scope of the policy to notify Pay.UK if they have not received any reportable FPS APP scam claims for the relevant reporting period. We have confirmed this position in SD20.
- 5.54** This requirement will give Pay.UK a clear understanding of those sending PSPs who have received FPS APP scam claims that fall within the reporting boundary in the relevant reporting period, and those who have not. This will provide assurance that all PSPs are meeting their reporting obligations.
- 5.55** While reporting standard A is in place, data must be reported by the sending PSP in respect of FPS APP transactions they have sent. Therefore, for the period that reporting standard A remains in place, it is only the sending firm that is required to notify Pay.UK if it has not received any claims.
- 5.56** We consider that limiting this requirement to the sending PSP ensures that the requirement is both reasonable and proportionate and that it is necessary for effective monitoring. Without a nil reporting requirement, it will not be possible for Pay.UK to determine whether an in-scope sending PSP has had any claims for the period or is not complying with the reporting requirements. Any alternative approach would negatively impact the ability of Pay.UK to effectively monitor compliance with the FPS reimbursement rules, and us with our FPS APP scams legal instruments.
- 5.57** We note that should PSPs coalesce around a single system provided by Pay.UK for reporting in future, this would likely remove any reporting burden associated with nil reporting.

The date of the first report

- 5.58** We considered whether requiring the first 'reporting standard A' report to be provided to Pay.UK immediately following a holiday period would likely cause challenges for some in-scope PSPs. For example, in respect of collating the data and ensuring sufficient time to take it through appropriate governance procedures.
- 5.59** We will now require the first report on the reporting standard A data, to be submitted by 6 January 2025. We confirm that this report must cover the period 7 October 2024 to 30 November 2024. We are not making any changes to the timings for the second report which must be submitted on 31 January 2025 and cover the period 1 December 2024 to 31 December 2024.
- 5.60** Even though there is only a small difference in our original proposed date of 2 January 2025 and our now confirmed date of 6 January 2025, we are content that because the data required for inclusion in the first report covers claims closed up to 30 November 2024, sending PSPs have more than one month to compile the report and provide it to Pay.UK by 6 January 2025. Sending PSPs may also decide to submit their first report in advance of the holiday period.

- 5.61** While we recognise that this brings the dates of the first and second reports closer together, we are content that confirming the requirements now gives in-scope PSPs sufficient time to plan for delivery of the reports within the required timeframes.

Reporting standard B

- 5.62** **We are not at this time confirming whether or when reporting standard B will come into effect. We will consult on this in late 2024.**
- 5.63** **However, in this policy statement and the CDRS, we confirm the contents of reporting standard B, should we in the future require PSPs to report the data contained within it.**
- 5.64** This approach provides certainty to PSPs of what the holistic compliance data within reporting standard B is, whilst effectively responding to feedback that the date for reporting standard B to come into effect should not be confirmed until more information about the RCMS is available.
- 5.65** We know that many PSPs are already preparing for its delivery, and we support and encourage this work to continue. We have provided more information on the potential use of the RCMS and potential move to reporting standard B, in Chapter 9.

6 Information management and record-keeping requirements from 7 October 2024

We confirm that all in-scope PSPs must retain the data and information that SD20 (and the CDRS) requires them to collate, retain and report, for a period of at least five years. This is an amendment to what we consulted on, to provide greater flexibility to PSPs in respect of data retention requirements.

We also consulted on proposals requiring in-scope PSPs to respond to reasonable and appropriately scoped requests for information from Pay.UK. We have further clarified that PSPs are only required to respond to such requests where Pay.UK has reasonable grounds to suspect a compliance issue or considers there is a reasonable likelihood of non-compliance. We have specified that any information request must include its reasoning and supporting evidence for the request.

Requirements for in-scope PSPs to retain Faster Payments APP scams data

Our proposal

- 6.1** We consulted on proposals to amend SD20 to place requirements on PSPs in scope of the direction to collate, retain and provide data and information to Pay.UK, and assure themselves as to its quality.
- 6.2** We proposed that, regardless of which reporting standard is in place:
- all in-scope PSPs must collate and retain all data and information specified in the CDRS and other information relevant to the FPS APP scam claim., and that this information must be retained for five years.
 - all in-scope PSPs must ensure data and information is retained in a secure manner that is compatible with relevant legislation, including the UK GDPR.

Feedback we received

- 6.3** There was general support for the retention of data to support effective monitoring of compliance and any investigations or audits that need to be undertaken.
- 6.4** A consumer group agreed that record-keeping and reporting requirements are essential to determine whether the policy is operating as intended. It asked the PSR to consider where it could strengthen its record-keeping requirements to ensure robust enforcement of the rules could take place as required.
- 6.5** In respect of the proposal that data be retained for a period of five years, both PSPs and a trade body felt that the requirement should be amended to 'at least' five years to provide flexibility.
- 6.6** A number of PSPs and a trade body expressed the view that the proposal is consistent with other legislative and regulatory requirements, but that the PSR needs to ensure that the requirements are legitimate, justifiable and consistent, and undertake an assessment against GDPR requirements. One noted the proposal is inconsistent with other requirements

Our view

- 6.7** **In-scope PSPs are required to retain the relevant FPS APP scams data and records, for at least five years.**
- 6.8** The retention of quality data and records is critical to supporting Pay.UK to effectively monitor compliance with the FPS reimbursement rules, and for the PSR in our role monitoring compliance with our FPS APP scams directions and requirements. We must ensure that data is retained for an appropriate period in line with UK GDPR requirements, and to ensure that the information is available to support the PSR to undertake any regulatory action in response to potential compliance issues.
- 6.9** In response to the feedback received, we have amended the requirement to be 'at least five years' to provide the clarity sought and ensure sufficient flexibility for in-scope PSPs in line with their own policies and procedures.

Requirements for in-scope PSPs to respond to requests for information from Pay.UK

Our proposal

- 6.10** We consulted on proposals to require in-scope PSPs to:
- take appropriate and reasonable steps to assure themselves as to the accuracy of the data and information relevant to the FPS APP scam claim, before providing it to Pay.UK.
 - provide timely, complete and accurate responses to reasonable and proportionate requests for information from Pay.UK that are appropriately scoped (and that Pay.UK would set what constitutes a timely response, having regard to the nature of the response).

- 6.11** We set out our view that reasonable and proportionate requests for information include, but are not limited to:
- requests that are appropriately scoped to enable Pay.UK to undertake its responsibilities under SD19, or
 - relate to Pay.UK's role in monitoring and assuring the quality, accuracy, completeness and integrity of the data received
 - enable Pay.UK to undertake enhanced monitoring in response to any potential compliance issues identified.

Feedback we received

- 6.12** One consumer group expressed a concern that Pay.UK's ability to request information only extends to direct participants, and for indirect participants such responses are on a voluntary basis.
- 6.13** We received varied feedback from PSPs:
- one stated that Pay.UK will have wide powers to request information, including random sampling. They felt that this indicated that the PSR expects frequent and granular oversight of firms' compliance, with potential for a wide range of data to flow to Pay.UK and a lack of clarity on how Pay.UK will process, share and store this data securely
 - another suggested that Pay.UK's ability to request information should be limited to where it has reasonable grounds to believe that a PSP may be non-compliant, noting that any request for information should set out the concern and the evidence for such a concern.

Our view

- 6.14** **It is our intention that PSPs should only be required to respond to information requests from Pay.UK where Pay.UK has a reasonable belief that there is a potential compliance issue, or reasonable likelihood of a future non-compliance, and has been provided with the basis for the request.** We have made a minor amendment to SD20 to make this position clear.
- 6.15** Placing the requirement to respond to information requests in SD20 ensures that the requirement to respond to information requests applies to all PSPs in scope of the policy.
- 6.16** These amendments will ensure that we have appropriately limited the scope of information requests that Pay.UK can make in fulfilment of its compliance monitoring role. It will also help ensure that the burden on PSPs of responding to information requests is appropriately managed.

7 Obligations on Pay.UK

We confirm that:

- we are placing limits on Pay.UK's use and disclosure of the compliance information it receives
- we require Pay.UK to notify PSPs and the PSR in respect of RCMS unavailability
- we require Pay.UK to enable PSPs to register for the FPS Reimbursement Directory.

We are also amending SD19 to confirm that Pay.UK may propose changes to its approved compliance monitoring regime (which was published on 7 June 2024) both before and after the policy start date of 7 October 2024.

Amendments to SD19

Our proposal: limits on Pay.UK's use and disclosure of information

7.1 In our consultation, we noted that Pay.UK will have access to confidential data, at PSP level. We proposed to amend SD19 to:

- provide that any data or information must only be used for it to fulfil its functions under SD19
- require that Pay.UK may only disclose confidential information received in the course of fulfilling its obligations under SD19 to the PSR, unless it is being disclosed in fulfilment of another specified obligation.

7.2 This does not prevent disclosure of confidential information to another party to fulfil another statutory obligation which takes precedence, an obligation to disclose to another regulator, or a court order.

Our proposal: RCMS notification requirements

7.3 We consulted on proposals to require Pay.UK to notify the PSR and PSPs in defined circumstances when the RCMS is unavailable. This included:

- to notify PSPs when the RCMS is not available for the specified period (which must be less than 30 days) or more
- to notify the PSR and PSPs when the RCMS is available again.

Our proposal: Pay.UK to provide onboarding capabilities to PSPs

7.4 We also consulted on proposals to require Pay.UK to make onboarding capabilities available to PSPs, to ensure that PSPs can onboard to the RCMS and comply with their obligations under reporting standard B. We stated this would support preparations for the shift to reporting standard B from 1 May 2025 (as we had proposed).

Feedback we received

- 7.5** While many respondents across PSPs, industry and trade bodies broadly agreed with the proposed obligations on Pay.UK, respondents also told us they thought Pay.UK should be required to notify the PSR of any RCMS performance issues that may impact SD20 compliance, deliver the RCMS by a set date (with a plan for delivery) and inform PSR of any changes to the RCMS that may have an impact (including a cost impact) on PSPs.

Limits on Pay.UK's use and disclosure of information

- 7.6** All respondents that answered this question – across PSPs and industry bodies – expressed general support for the proposals, welcoming the clear parameters and limits aligned with Pay.UK's monitoring role.
- 7.7** Some respondents told us that they would welcome sight of Pay.UK's data sharing framework and the data sharing agreements that will be in place.
- 7.8** PSPs and a trade body also expressed the view that where Pay.UK is permitted to disclose confidential information in the limited circumstances described in SD19, that if PSPs are themselves able to provide this information, they should be offered the opportunity to do so, and always be informed if Pay.UK is sharing any confidential data onwards.

Our proposal: RCMS notification requirements

- 7.9** We received limited responses to this proposal, but respondents did say that:
- there should be an additional requirement on Pay.UK to notify PSPs of any RCMS performance issues that would impact PSPs' ability to comply with the obligations placed upon them in SD20
 - there should be a corresponding obligation on Pay.UK to deliver the RCMS by a set date so that PSPs can comply with the obligation to use it.

Our proposal: Pay.UK to provide onboarding capabilities to PSPs

- 7.10** We did not receive any specific feedback on this proposed requirement.

Our view

- 7.11** We are content that the obligations on Pay.UK to promptly inform the PSR and PSPs when the RCMS is unavailable (and when it is available again) will ensure that we and PSPs are sufficiently sighted and aware of any issues, including those that may impact compliance with the SD20 reporting requirements. As Pay.UK must specify the method of reporting under reporting standard A (or may determine a reasonable alternative reporting method where necessary), it is for Pay.UK to set out the method of reporting and approach for PSPs to access the FPS Reimbursement Directory, should any contingency arrangements need to be in place.
- 7.12** We confirm that data received by Pay.UK must only be used for it to fulfil its functions under SD19. This position is consistent with the consultation feedback we received.

- 7.13** We also confirm the onwards sharing limitations that we consulted on, with minor amendments in response to the feedback received, to provide that:
- where a PSPs' confidential data is proposed for disclosure, where possible and practicable a PSP should first be given the opportunity to provide this information to the relevant party themselves
 - Pay.UK may set a timeframe within which the person to whom the confidential information relates must disclose (or not) the information (and that the timeframe must be reasonable, having regard to the specific circumstances)
 - where Pay.UK does disclose any confidential information, they must notify the PSP(s) that they have done so.
- 7.14** We have also clarified that the limits on Pay.UK in respect of the disclosure of confidential information do not prevent it from disclosing the information that PSPs provide as part of the registration process. Registration is necessary for the delivery of the FPS Reimbursement Directory. The sharing of such data is necessary for the effective functioning of this directory – so that PSPs can find one another's contact details to communicate in respect of FPS APP scam claims. This clarifies our original intent and is aligned with the general support we received from respondents to the consultation, in respect of registration to enable delivery of a shared directory.
- 7.15** In respect of the **notification requirements** we confirm the requirement that Pay.UK must promptly notify PSPs and the PSR when the RCMS is unavailable for the specified period (to be set by Pay.UK), and when it is available again. This will support effective consumer reimbursement.
- 7.16** We have taken this approach because as we are not at this time putting in place any regulatory requirements for all in-scope PSPs to use the RCMS, it is for Pay.UK to determine an appropriate and effective approach to notifying PSPs and us, when the RCMS may not be fully functional (including the FPS Reimbursement Directory), and to set the specified period for when any notification will be given. This is an operational matter for Pay.UK.
- 7.17** In respect of **the registration and directory requirements**, as set out earlier in this policy statement, we confirm that Pay.UK is required to make arrangements to ensure that all PSPs are able to register, by 31 July 2024, and that PSPs must register by 20 August 2024. This will ensure that PSPs details are included in the shared FPS Reimbursement Register to deliver effective reimbursement from 7 October 2024.
- 7.18** The final SD19 published alongside this policy statement, reflects this position.

8 Policy clarifications to support effective implementation

We confirm our proposed amendments to SD20 to:

- require all directed PSPs capable of being a sending PSP who provide a relevant account to consumers to amend their contractual terms and conditions by **9 April 2025** to include a provision that a PSP would reimburse their consumers in line with the reimbursement requirement and rules
- require PSPs to notify consumers of their rights under the reimbursement requirement, and of upcoming contractual changes by **7 October 2024**
- clarify that the reimbursement requirement applies to all reimbursable FPS APP scam payments executed on or after the implementation date (7 October 2024).

We also confirm amendments to SR1 to make it clear:

- that the FPS reimbursement rules are part and parcel of the FPS rules and that reimbursement in accordance with the FPS reimbursement requirement and rules is part of the provision of the service of executing in-scope payments over the Faster Payments system to consumers by directed PSPs
- that Pay.UK is only required to notify the PSR of changes to the FPS reimbursement rules, the FPS RCMS rule, or any rule included in the Faster Payment Scheme rules as a result of part 6 of SR1 (which clarifies the status of the FPS reimbursement requirement and rules).
- how the maximum claim excess amount is to be shared in any FPS APP scam claim featuring multiple receiving-PSPs
- when an FPS APP scam claim may be closed.

We are not proceeding with the creation of an actionable right for the consumer to enforce their rights under the reimbursement requirement and rules in the civil courts.

Clarifying our expectation on a consumer's right to reimbursement under the rules

Our proposal

- 8.1** We consulted on options to clarify the consumer's right to reimbursement, in accordance with the reimbursement rules. These options were:
- an amendment to SD20 to make it explicit that if a sending PSP fails to reimburse a consumer as required by the reimbursement requirement and rules, the consumer will have a right to enforce the FPS reimbursement requirement and rules and recover the outstanding amount from their sending PSP in the civil courts
 - an amendment to SD20 to require PSPs to amend their contractual terms and conditions with the consumer, to include a provision that a PSP would reimburse their consumers in line with the reimbursement requirement and rules.
- 8.2** We also proposed:
- a change to SR1 to make it explicit that FPS reimbursement rules are part and parcel of the Faster Payments rules
 - amending SD20 to require PSPs to notify consumers of their rights to be reimbursed in line with the FPS reimbursement requirement and rules.

Feedback we received

- 8.3** Most respondents felt that our proposal to amend SD20 to make it explicit that if a sending PSP failed to reimburse a consumer would have the right to enforce the FPS reimbursement requirement in the civil courts, went further than our duty under Section 72 of the Financial Services and Markets Act 2023 (FSMA).
- 8.4** Nearly all respondents felt that this option might increase claims management company activity and lead to worse outcomes for consumers.
- 8.5** Most respondents also expressed concerns that our proposal to require them to amend their terms and conditions would not be possible by 7 October 2024. Nearly all respondents highlighted that this would be a costly change and would place an administrative burden on them as they remain focused on implementation.
- 8.6** Key feedback included:
- that a phased approach to changing terms and conditions would allow them to make changes for Faster Payments and CHAPS together, and would give them the opportunity to make changes required as a result of legislative change for example on delaying payments at the same time
 - PSPs should be allowed to make changes in line with their own governance cycles
 - PSPs are required under the Payment Services Regulations 2017 to give two months' notice to changes to terms and conditions and therefore PSPs would not be able to make the changes by 7 October 2024.

Our view

- 8.7** As set out at paragraph 6.14 of CP24/3, we consider the right to appeal to the Financial Ombudsman Service or the courts an important mechanism to deliver fair and consistent reimbursement outcomes for victims of APP scams. This is in line with our policy objectives.
- 8.8** We have decided not to amend SD20 as a standalone measure as proposed - i.e. to make it explicit that if a sending PSP fails to reimburse a consumer as required by the reimbursement requirement and rules, the consumer will have a right to enforce the FPS reimbursement requirement and rules and recover the outstanding amount from their sending PSP in the civil courts.
- 8.9** But it is important that we are clear about the consumer's right to reimbursement under the policy. Therefore, we are confirming an amendment to SD20 that will require all directed PSPs capable of being a sending PSPs which provide relevant accounts to consumers to amend the terms and conditions of their contracts with consumers to include a provision that a PSP will reimburse their consumers in line with the reimbursement requirement and rules. This will provide the clarity needed on the consumer's right to reimbursement in line with the FPS reimbursement requirement and rules and will allow consumers to enforce those rights through the courts as with any other contractual obligation of the PSP included in their framework contracts.
- 8.10** We recognise the cost and administrative burden that these changes will have on PSPs, but we think it's important to provide clarity on the consumers right to reimbursement. While we expect PSPs to make these changes as soon as is practical, we are allowing PSPs until **9 April 2025** to make these changes. This gives PSPs nine months to prepare for the changes, and to make them in line with their existing governance cycles to help manage the cost and operational burden.

Notifying consumers of their rights

- 8.11** We are also amending SD20 to require PSPs to notify consumers of their rights to be reimbursed in line with the FPS reimbursement requirement and rules, by **7 October 2024**. This means that when PSPs notify consumers of the reimbursement policy, we expect them to explain that their terms and conditions will be amended by 9 April 2025.
- 8.12** We recognise that consumer awareness of the reimbursement requirement is critical to building trust and confidence in the system. In addition to requiring PSPs to amend their terms and conditions, we are placing a requirement on PSPs to take steps to notify consumers of their rights, in line with how they would notify them of changes to any other service. We are not specifying the way in which PSPs raise awareness of the requirements, beyond the obligation to amend terms and conditions. We recognise PSPs have different customer bases and communication approaches and plans. We consider PSPs are best placed to determine how to contact their customers, having regard to their obligations under the FCA Consumer Duty. We will publish additional information to support PSPs meet this obligation, in July 2024.
- 8.13** We also confirm an amendment to SR1 to make it clear that the FPS reimbursement rules are part and parcel of the FPS rules and that reimbursement in accordance with the FPS reimbursement requirement and rules is part of the provision of the service of executing in-scope payments over the Faster Payments system.

- 8.14** We consider the right to appeal to the Financial Ombudsman Service or the courts an important mechanism to deliver fair and consistent reimbursement outcomes for victims of APP scams. This is in line with our policy objectives. We will not be expecting Pay.UK to take on any role in handling consumer complaints.

Clarifying the 'rule change' notification requirements

Our proposal

- 8.15** Pay.UK has created the FPS reimbursement rules which produce the outcomes in SR1 (the reimbursement policy requirements). Part 6 of SR1 requires Pay.UK to notify the PSR of:
- any proposed changes to the FPS reimbursement rules
 - any potential changes to the Faster Payments Scheme rules.
- 8.16** We consulted on amendments to these requirements to deliver our original policy intent, which was to require Pay.UK to notify the PSR of changes to the FPS reimbursement rules – not of any and all proposed changes to the FPS rules. Such a requirement would place an undue burden on Pay.UK, as well as on us to consider and respond to any such notification.

Feedback we received

- 8.17** We did not receive any specific feedback on our proposal to clarify the circumstances in which Pay.UK is required to notify us of rule changes. We did however receive feedback that PSPs were not clear on the process Pay.UK would take to informing them of changes to the FPS reimbursement rules.

Our view

- 8.18** We confirm that Pay.UK is required to notify the PSR of changes to the FPS reimbursement rules, the FPS rule requiring PSPs to use Pay.UK's RCMS, or any rule included in the Faster Payment Scheme rules as a result of part 6 of SR1 (which clarify the status of the FPS reimbursement requirement and rules).
- 8.19** In respect of these notification requirements, we have made an amendment to SR1 to confirm that Pay.UK is required to provide us with at least 20 working days' notice to consider any proposed rule changes before they would come into effect. We have consulted with Pay.UK on this proposal, and they are content.
- 8.20** While we are not confirming any regulatory requirements in respect of the use of the RCMS, direct PSPs will be required to use it by virtue of Pay.UK's FPS Rules, and all in-scope PSPs will be required to register their information to enable delivery of the FPS reimbursement directory.
- 8.21** As we are not at this time mandating use of the RCMS, we are not placing any additional requirements on Pay.UK in respect of its delivery. We are content that the requirement for PSPs to register with Pay.UK, will support identification of all PSPs in scope of the policy, as well as delivery of the FPS Reimbursement Directory. This will ensure effective policy

implementation for the policy start date of 7 October 2024. While we are not requiring in-scope PSPs to use the RCMS, the FPS Reimbursement Directory will be contained within the functionality of the RCMS and so it is important that we are made aware of any changes that may impact its operation.

8.22 We consider that the requirements in SD19 are sufficient to ensure Pay.UK to notify us and PSPs of any performance issues.

Clarifying our policy intent where an FPS APP scam claim features multiple receiving PSPs

Our proposal

8.23 In SR1 we included a provision that would, in circumstances where a sending PSP has chosen not to deduct the maximum claim excess amount from its reimbursement to a victim, allow the receiving PSP to deduct 50% of the maximum claim excess amount from its contribution amount. We stated:

- 'If the sending PSP chooses not to apply the maximum claim excess value ... the receiving PSP may deduct 50% of the maximum claim excess amount from the specified amount.'

8.24 During engagement with stakeholders after the publication SR1, several felt this drafting could be read as to allow each receiving PSP, in an FPS APP scam claim featuring multiple receiving PSPs, to individually deduct 50% of the maximum claim excess amount from their reimbursement contribution. Stakeholders felt that this would be unfair to a sending PSP, which in some situations may not be able to secure any significant contribution from receiving PSPs toward the cost of reimbursing a victim.

8.25 To manage this, we proposed an amendment to SR1 to make clear that:

- where there are multiple receiving PSPs within a single FPS APP scam claim, those receiving PSPs may share between them the value of 50% of the maximum claim excess amount;
- subject to the previous point, the share that each receiving PSP may choose to deduct from their specified amount shall be in proportion to their overall liability for the reimbursable portion of the APP scam claim in question, to be determined through rules set by Pay.UK.

8.26 Through this proposal, we sought to ensure that our policy intent is fully reflected in our legal instruments, and that sending PSPs do not inadvertently shoulder disproportionate sums when reimbursing victims.

Feedback we received

8.27 Eleven respondents agreed with the proposal. Those who provided rationale for this noted that while they supported this proposal, they had concerns that dividing the maximum permitted excess among a large number of receiving PSPs would present arithmetic and operational challenges that may give rise to calculation errors. Another respondent

emphasised that our proposed updates to SR1 should align as fully as possible with the scheme rules set to be introduced by Pay.UK.

Our view

- 8.28** We confirm our revision to SR1, as consulted on.
- 8.29** It is our view that the risk of operational challenges can be effectively managed via Pay.UK and PSPs, adopting clear decision-making frameworks and processes for distributing the maximum permitted excess between receiving PSPs. It is not feasible to us to allow each receiving PSP to deduct 50% of the maximum permitted excess from their reimbursement contribution amount, solely to avoid the operational inconvenience of correctly distributing the maximum excess among multiple receiving PSPs.
- 8.30** We agree that our updated SR1 should align as closely as possible with the scheme rules introduced by Pay.UK. We continue to work closely with Pay.UK on this.

Clarifying when an FPS APP scam claim can be closed

Our proposal

- 8.31** In SR1, we specified that an FPS APP scam claim *may be closed either by reimbursement of the consumer where appropriate or by rejection of the claim, with an explanation of the reasons.*
- 8.32** This was intended to make clear that a claim may only be closed when a sending PSP either reimburses a consumer, or rejects their claim. During our subsequent engagement with PSPs, several suggested that, where they are the sending PSP in receipt of an FPS APP scam claim, they may choose to reimburse some claims in advance of completing their assessment. This may be more common for claims that fall below a certain value or risk profile. Several PSPs held the view that, under the original drafting of SR1, a receiving PSP would be required to contribute towards the costs of any claim that had been reimbursed, regardless of whether an assessment had been undertaken by the sending PSP.
- 8.33** To clarify this, we proposed an amendment to SR1 to make clear that a sending PSP may only close an FPS APP scam claim having undertaken an assessment as to whether it includes any reimbursable FPS APP scam payments. If a sending PSP chooses to reimburse a claim in advance of completing an assessment, they may not seek a reimbursement contribution from any sending receiving PSP(s) unless and until they have positively assessed that the claim includes one or more reimbursable FPS APP scam payments, and may only seek a contribution toward those in-scope payments. If the sending PSP, having issued advance reimbursement to a claimant, then assesses that the claim did not include any reimbursable APP scam payments, this would be regarded as voluntary reimbursement for the purposes of SR1, and any receiving PSP(s) would not be required to contribute to the cost of reimbursement.

Feedback we received

- 8.34** We received mixed feedback to this proposal. Of those that disagreed with the proposal and provided contextual comments to explain their position, all expressed concern that our proposed amendments did not make clear whether it was permissible for a Payment Service Provider to engage in 'light-touch' evaluations when deciding whether an FPS APP scam claim included any reimbursable FPS APP scam payments. They also felt that we had not provided sufficiently clear guidance on what would constitute an adequate assessment of a claim. They felt that, either through SR1 or supporting guidance, the PSR should make a positive statement that such assessments should be proportionate to the underlying value and complexity of the claim.
- 8.35** Several respondents expressed a concern that it should be made clear whether it is permissible for a sending PSP to 'close' a claim without having to conduct any assessment of its underlying merits. They felt that the PSR had issued contradictory statements on this point in engagement, correspondence, and formal publications.
- 8.36** Of those that agreed with the proposal, one recognised, and was supportive of, the intention behind our proposal – to avoid a sending PSP creating unjustified liabilities for receiving PSP by approving claims that had not been evaluated. Another, whilst welcoming our proposal, emphasised that Pay.UK's FPS Reimbursement Rules must fully align with SR1.
- 8.37** Other respondents noted that whether a sending PSP could reimburse a consumer without assessing claims (and requiring a contribution from a receiving PSP) was fundamental to the success of the PSR's policy intervention and would have a significant effect on the incentive structure within which PSPs are operating.

Our view

- 8.38** We agree with those respondents who emphasised that the veracity of any claims assessment made by a sending PSP should be proportionate to the value and complexity of a claim, taking into account any claims history of the consumer and any other factors identified as relevant by the PSP.¹ We have not prescribed, within SR1 or our other legal instruments, an evidential threshold that PSPs must meet when assessing claims. We regard it as a commercial decision for PSPs to determine, taking account of their own resources and risk appetites, what degree of scrutiny they wish to apply to a particular claim. PSPs will be mindful that 'false positive' cases may ultimately be disputed by the receiving PSP upon receipt of a contribution request, whilst 'false negative' cases may ultimately be appealed by the consumer to the Financial Ombudsman Service.
- 8.39** It is not our intention that a sending PSP should be able to avoid compliance with our regulatory requirements by voluntarily choosing to issue reimbursement, whether in advance of, or in the alternative to, an assessment of the underlying merits of an FPS APP scam claim. Assessing the merits of a claim is compulsory and serves two policy objectives: to allow for a fair distribution of reimbursement liability between sending and receiving PSPs; and to provide the basis for reliable, consistent, and comparable datasets on the relative performance of individual PSPs. Both of those objectives would be undermined by sending PSPs being able to 'buy out' their regulatory obligations by reimbursing in substitute for any assessment of the underlying merits of a claim.

¹ This includes our Consumer Standard of Caution Exception and associated guidance.

The confirmed paragraph 5.8 of SR1 puts beyond doubt that a claim may only be closed once an assessment has taken place.

- 8.40** Whilst we acknowledge the concerns of those respondents who asked that certain collateral matters should be fully reflected in an updated SR1, it has been our consistent policy intention for Pay.UK, and subject to consultation with affected PSPs, to be able to exercise some discretion in how it seeks to implement SR1 through their FPS Reimbursement Rules. This includes discretion over matters relating to how a claim is managed, such as any opportunity to respond for receiving PSPs who are in receipt of a notification that an FPS APP scam claim has submitted to a sending PSP. Provided such initiatives do not contradict the requirements set out in SR1 or the matters reserved for PSR.
- 8.41** Pay.UK is best placed to design, consult upon, and implement scheme rules that secure reimbursement rights for consumers in a way that is operationally tailored to the needs of PSPs. We will continue to require that Pay.UK must notify us of any planned changes to the FPS reimbursement rules.
- 8.42** We reiterate that our legal instruments, SR1, SD19, and SD20, are the authoritative statements of our regulatory requirements.

Clarificatory amendments to our legal instruments

- 8.43** As part of this policy statement we are making two minor, clarificatory drafting amendments to our FPS APP scams legal instruments:

SD19

- 8.44** We have amended SD19 to confirm that Pay.UK may propose changes to its approved compliance monitoring regime (which was published on 7 June 2024) both before and after the policy start date of 7 October 2024. While we consider the current drafting is sufficient to cover this scenario, we want to ensure Pay.UK is content that it can propose amendments to its approved monitoring regime before 7 October 2024, to deliver what is required to align with this policy statement and our final legal instruments.
- 8.45** We have also placed requirements on Pay.UK to make and implement any necessary FPS reimbursement rule or FPS rule changes, by 31 July 2024. This will provide sufficient time from the publication of this policy statement and legal instruments for Pay.UK to develop the necessary changes, for us to review them and for the updated rules to align with these final policy requirements. Pay.UK has confirmed comfort with this approach.
- 8.46** We have also required Pay.UK to:
- make arrangements to ensure all directed PSPs are able to register, as soon as practicable and by no later than 31 July 2024
 - make provision in the FPS rules for the method by which sending PSPs must report information to them, as required by SD20 and the CDRS, by 31 July 2024.
- 8.47** These amendments place a clear timeframe by which Pay.UK must complete certain activities to provide certainty to PSPs and Pay.UK ahead of the policy start date of 7 October 2024.

SD20

- 8.48** We have made a minor amendment to SD20 to clarify that the reimbursement requirement applies to all reimbursable FPS APP scam payments executed on or after the implementation date (7 October 2024). This is to correct a drafting error.

Future changes to our legal instruments

Our proposal

- 8.49** In our consultation, we explained that Pay.UK will continue to take an increasing role in maintaining and updating the FPS reimbursement rules. Over time, it is likely that improvements will be identified to the operation of those reimbursement rules, and we explained that we will continue to support Pay.UK in making any revisions that help optimise the rules. In the vast majority of cases, any revisions to the FPS reimbursement rules will be identified, designed, and implemented by Pay.UK, with the PSR playing a supporting role.
- 8.50** Recognising that there will be occasions on which our legal instruments need revising, and that the process should be predictable, we proposed that, whenever our legal instruments need revising, we would aim to make those changes in according with the following principles:
- wherever necessary changes to the FPS reimbursement rules can be made solely by amending the scheme rules, then Pay.UK should, working with PSPs and their representative bodies, take the leading role in making such amendments, with the PSR playing a supporting role
 - wherever necessary changes to the FPS reimbursement rules cannot be made without amending our legal instruments then we will endeavour to issue any such amendments in the months of April and October in any given year.
 - if an urgent change to the FPS reimbursement rules is required, that cannot be made without amending our legal instruments, we may consider issuing an amendment otherwise than in the months of April and October in any given year.

Feedback we received

- 8.51** Of those that responded to this question, the majority agreed with the proposal. A few disagreed or felt they did not have sufficient information to respond.
- 8.52** Of those that agreed with the proposal, all noted that a predictable change-schedule would make operational delivery easier for both PSPs and Pay.UK. Several asked that PSPs be consulted before changes were confirmed, and that there be a minimum notification period prior to any changes coming into effect
- 8.53** Of those respondents that disagreed, or partially disagreed, the main point of contention was that they queried the need or desirability for any revisions to our legal instruments to be made out-of-cycle, on an urgent basis.

Our view

- 8.54** We confirm that we will adopt the principles on which we consulted, that set out the procedure and threshold for us to make any further revisions to our legal instruments.
- 8.55** Whilst we acknowledge the concern expressed by a number of respondents that out-of-cycle changes to our legal instruments should be avoided wherever possible, our view is that the principles we outlined in our proposal sufficiently control for this, by making clear that such changes would be a last resort. We agree with those respondents who asked that any such changes be consulted on before being implemented and will always consider the need to do so, in line with our Powers and Procedures Guidance.

Complex cases

Our proposal

- 8.56** Through the consultation, we sought input to support development of an approach to managing complex cases which require exceptional investigation or analysis. We recognise that there will be some complex FPS APP scam claims that a PSP may be unable to close within the required timeframes, and which may therefore present as a potential compliance issue in the data and information that PSPs provide to Pay.UK.
- 8.57** We recognise the need to ensure that complex cases can be identified using clear criteria and that appropriate steps are taken to manage them. These cases will not be compliant with the reimbursement policy requirements (e.g. the required time in which an FPS APP scam claim must be closed) and will be treated as such.
- 8.58** We need to ensure that such cases do not skew a PSP's overall compliance data, but equally that they can be identified within the data.
- 8.59** In the consultation, we noted that we will be working with Pay.UK over the coming months to develop a process for the identification and management of complex cases, and this remains our plan.

Feedback received

- 8.60** Across the responses received, there was general agreement that it is important to develop a clear framework, process and criteria for dealing with these claims, and one that delivers the right outcomes for consumers.
- 8.61** Many respondents aligned themselves with the response of a trade body who highlighted the approach that is currently taken under the voluntary CRM Code, and suggested the following criteria:
- if a case is under investigation by a recognised statutory authority and/or is subject to ongoing criminal proceedings; and
 - involves the complex movement of funds spanning multiple PSPs and multiple victims – which may include the use of complex payment instruments or business structures which means the PSP is unable to determine the value of the funds lost by their customer; and

- where the receiving PSP is unable to determine whether the claim is an APP scam, a poorly run business, or an APP scam.
- one industry body suggested that where there is an ongoing Police investigation and the PSP is unable to access the information they need to assess a claim

8.62 Other points raised by respondents included:

- that any investigation by the Financial Ombudsman Service should be considered an investigation for the purpose of a claim potentially being considered a complex claim.
- that there is a legal underpinning which allows PSPs to carve out cases that meet the relevant criteria, once finalised e.g. in the rules for mandatory reimbursement.
- that the PSR needs to consider the risk that PSPs come under pressure to reimburse under the reimbursement requirement, even where a claim may relate to losses from another type of fraud and the subject of an ongoing investigation (i.e. rather than waiting for the investigation to conclude)
- where law enforcement decide that they are unable to substantiate criminal charges, it will be assumed by PSPs that the claim is a civil dispute with claimants directed to the civil court for redress
- where a statutory body decides that an individual behind a complex case will not face criminal charges based on a commercial decision, the 5 day/35 day clock should only start once individual victim losses are known and the starting date of the FPS APP scam established
- although the volume of complex cases remains low, the values are usually very high. Cases which fall into this category are only assessed under the FPS APP reimbursement requirement once an investigation by a statutory body and criminal proceedings including Criminal Confiscation orders are complete.
- where a case is under investigation by a statutory body, this should not in itself be a valid reason to pause the case.
- PSPs should be required to provide regular updates to consumers about progress on complex cases.

Our view and next steps

8.63 We welcome the input provided by respondents and the work we understand is already underway between Pay.UK and industry to develop best practice guidelines. We recognise the importance of this issue and the need to ensure a clear and well-defined entry and exit criteria for complex cases, and a process for managing them. We agree that some key considerations for a case to be considered complex include one or more of the factors listed:

- it must have multiple PSPs and multiple consumers involved in the claim(s)
- more than one PSP involved must propose the case as complex
- the PSPs involved must all be unable to determine the correct value of the consumer loss

- the case must have been referred to a third party for investigation must have commenced – and it must be agreed that the findings of that investigation is likely to have a material impact on the outcome
- the flow of funds must be such that they cannot be reliably traced
- it may not be possible due to the complexities to determine whether the claim or elements of it is an FPS APP scam.

8.64 We agree with the points made that it will be critical for PSPs to keep their consumers informed of progress regarding the complex claim. We also consider that once it has been agreed that a case is complex, it must be given a unique identifier so that they can be identified within the compliance data that Pay.UK receives from PSPs.

8.65 We will continue engaging Pay.UK and industry on the development of a detailed operational process for the allocation and management of complex cases over the summer. We note that as reporting standard A requires reporting on claims closed in the relevant reporting period, there will be no impact on the data reported while this standard is in place.

9 Policy requirements beyond 7 October 2024

We are not requiring all in-scope PSPs to comply with Pay.UK's FPS rule to use Pay.UK's RCMS for FPS APP scams claim management, communication and data reporting.

We are also not confirming whether and when reporting standard B may come into effect.

Our provisional view is that a single system used by all in-scope PSPs is the most effective way to facilitate inter-PSP communication, claim management and data reporting as the policy begins to bed in. We will consult on whether to require all in-scope PSPs to use the RCMS, and proposals for whether and when reporting standard B may come into effect, in late 2024.

We note that members of Faster Payments (direct participants) will be required to use the RCMS from 1 May 2025 in order to comply with Pay.UK's FPS rules. We will continue to engage PSPs and Pay.UK to ensure timely provision of key information about the RCMS and we encourage PSPs to voluntarily onboard to it once this information is available and they have assessed it.

Requirement to comply with the Pay.UK rule to use the RCMS for claims management

Our proposal

- 9.1** Pay.UK has placed the FPS reimbursement requirement into its FPS rules, creating the FPS reimbursement rules, which were published on 7 June 2024.
- 9.2** Pay.UK also intends to include a new rule in its FPS rules requiring PSPs to use the RCMS. This means that all direct PSPs will be required to use the RCMS, as required by Pay.UK. However, the FPS rules do not extend to indirect participants.
- 9.3** We consulted on an amendment to SD20 to require all in-scope PSPs to comply with Pay.UK's Faster Payments rule that requires them to use the RCMS for FPS APP scam claim assessments, communication and data reporting.
- 9.4** In our consultation, we noted that the RCMS will be available to PSPs by 7 October 2024. Specifically, that it will enable the sending PSP to find contact details for the receiving PSP to allow them to communicate about FPS APP scam claims received. In this document, we refer to this as the FPS Reimbursement Directory (as set out in chapter 4).

- 9.5** We noted that once fully functional, Pay.UK's RCMS will include the capability:
- for the sending PSP to log an FPS APP scam claim and notify the receiving PSP that the claim has been raised
 - for sending and receiving PSPs to communicate in respect of APP scam claims – including for the sending PSP to notify the receiving PSP of their decision in respect of a claim, and of the reimbursable contribution amount
 - to automate the reporting of Faster Payments APP scam data and information, in line with the confirmed data reporting requirements in SD20.
- 9.6** We set out our view that this requirement would deliver significant benefits to all PSPs in scope of the policy and reduce the manual reporting burden that would exist if PSPs are not using the same system.
- 9.7** We proposed that all in-scope PSPs be required to comply with the rule to use the RCMS, by 1 May 2025 – just over six months from the policy start date, and the same date that we proposed reporting standard B would come into effect.

Feedback received

- 9.8** The majority of respondents expressed support for the benefits that a single system would deliver.
- 9.9** However, almost all respondents also expressed the view that the lack of detail about the RCMS made it difficult to comment on the proposal to mandate its use. They highlighted in particular the challenges in assessing the proportionality and impact of the proposal. Feedback centred around:
- a lack of information about the total cost of the RCMS and pricing structure making it difficult to provide an informed response on the proposal
 - the tight timeframe for the system to be fully tested, and all PSPs onboarded to it
 - concerns with the proposed functionality of the system. For example, that in the medium term it will only cover FPS APP scams and not other types of claims, leading to complexities and an increased operational burden for PSPs and in the system. This includes that some PSPs will still have to use BPS for CRM cases
 - a lack of information about how the inter-PSP communication and claims management aspect of the RCMS would operate
 - a lack of information about the technical details, data security, protection and the management of any personal data contained within the RCMS.

Our view

- 9.10** **At this time, we are not placing regulatory requirements on all in-scope PSPs to comply with the FPS rule that requires them to use the RCMS for FPS APP scam claim assessment, communication and data reporting. Pay.UK is requiring its members to use the RCMS, through its FPS rules.**

9.11 We will reconsult on this proposal in late 2024 once additional information about the RCMS is available.

9.12 As set out elsewhere in this policy statement, it is our provisional view that a single system to which all in-scope PSPs can be onboarded, should be in place to deliver FPS claims management, as soon as feasible. We also consider that this system should be delivered by the operator of Faster Payments, Pay.UK. We see delivery of the system as core to Pay.UK meeting our longer-term expectations of it as a strategic and effective operator. The registration and onboarding to the system will be a core component of doing business over Faster Payments.

9.13 We consider that there are some benefits to providing flexibility to in-scope PSPs for claims management, in the short-term and are content that PSPs can use their current approaches for managing FPS APP scam claims, aided by Pay.UK's FPS Reimbursement Directory.

9.14 But we continue to share the view of industry that there are significant benefits to be delivered via a single system. It would provide an environment for all PSPs to communicate in respect of FPS APP scam claims, manage claims, and deliver automated data reporting, reducing the compliance burden on PSPs. It would also enable smooth transition to reporting standard B which, should it come into effect following a further consultation, would enable Pay.UK to utilise a richer set of metrics to fulfil its compliance monitoring role. While all direct PSPs in-scope of the policy will be required to use the RCMS to comply with the FPS rules, a specific direction by the PSR would mean that this requirement would apply to all PSPs in scope of the policy – both direct and indirect – and mirrors the approach we have taken to the other elements of the Faster Payments APP scams reimbursement requirement.

9.15 However, we recognise the importance of all information being available to PSPs and the PSR before any requirement to use the system can be put in place. It is of critical importance that a full assessment of the reasonableness and proportionality of any proposed requirements can be undertaken. To aid in this, we, and PSPs, need to see:

- a transition plan for moving to the RCMS (including a date by which it will be fully functional)
- details of the commercials – including the costs and pricing structure
- a robust contractual framework, including in respect of data protection and liabilities.

9.16 We acknowledge that it was not possible for this assessment, or the impact of this on reporting standard B, to be undertaken during our consultation period.

9.17 Our approach means that in-scope PSPs have clarity and certainty on the requirements for the policy start date of 7 October 2024, as well as certainty on when we intend to consult on requiring all PSPs to comply with Pay.UK's rule to use the RCMS, and the potential move to reporting standard B.

9.18 We know that Pay.UK continues to work closely with all in-scope PSPs to disseminate the necessary information and that significant progress has been made since our consultation closed. We will continue to engage with in-scope PSPs and Pay.UK as this important work continues and we will hold Pay.UK to account to ensure that all of the necessary information is made available ahead of our consultation in late 2024.

The move to reporting standard B

Our proposal

- 9.19** We proposed that from 1 May 2025, all in-scope PSPs be required to make all data within the CDRS available to Pay.UK, under reporting standard B. We set out that this would be made possible through Pay.UK's RCMS, and that provision of a fuller set of data to Pay.UK would provide further context to the compliance data under reporting standard A.

Feedback we received

- 9.20** We have set out the feedback received in Chapter 5. In summary, respondents felt that it was difficult to comment on the proposed date for the move to reporting standard B without additional details on how the transition would operate and details on the RCMS which we proposed would enable provision of additional data to Pay.UK whilst effectively managing the reporting burden on in-scope PSPs

Our view

- 9.21** We have considered the feedback received on the move to reporting standard B. In our consultation proposals, we noted that the regulatory burden of PSPs being required to provide standard B data to Pay.UK would be effectively managed through the requirement to use Pay.UK's RCMS which would automate data reporting. While this will remain the case for direct PSPs who will be required to use the RCMS by virtue of Pay.UK's FPS rules from 1 May 2025 in the absence of a requirement from the PSR that means all PSPs would be using the RCMS, this is not the case for indirect PSPs.
- 9.22** In our consultation proposals and our draft CBA, we did not assess the impact of requiring in-scope PSPs to report under reporting standard B, in the absence of the RCMS. As we are not, at this time, requiring all PSPs to use Pay.UK's RCMS, it would not be reasonable or proportionate for us to confirm whether and when in-scope PSPs will be required to make standard B data available to Pay.UK without having undertaken a full detailed assessment of the impact of this requirement both with and without PSPs using a single system.
- 9.23** We intend to consult on whether and when to require the move to reporting standard B in late 2024, when we consult on whether to require all in-scope PSPs to comply with Pay.UK's rule to use of the RCMS. As part of this consultation, we will consider all options available to us – including the impacts of complying with reporting standard B with and without a single system being in place. Our consultation will include a cost benefit analysis setting out these impacts in full, for consideration.

10 Next steps

This chapter sets out our next steps.

- 10.1** This policy statement confirms the final requirements for all directed PSPs to deliver the FPS APP scams reimbursement requirement, setting out what is required of them (and of Pay.UK) to deliver effective monitoring from the policy start date of 7 October 2024. Confirming these requirements now provides ample time to support effective implementation, and we encourage all directed PSPs to continue their preparations.
- 10.2** We have given directed PSPs a degree of flexibility, providing choice in how they deliver some of the requirements for the policy start date. We are content that these final requirements deliver consistency where it's needed – such as in the metrics that all directed PSPs must report to Pay.UK to enable effective compliance monitoring, and the record-keeping requirements – while enabling PSPs to make choices in other areas, such as the methods that PSPs may use to communicate. We consider that this is the most effective approach to delivering smooth implementation of the policy.
- 10.3** We ask PSPs to keep engaging constructively with the PSR and Pay.UK as we continue to work collectively towards 7 October 2024 and delivering good outcomes for consumers.
- 10.4** As we set out in our consultation paper and this policy statement, we recognise that some changes to the FPS Rules, FPS Reimbursement Rules and Pay.UK's approved compliance monitoring regime will be required to ensure alignment with the final policy positions and legal instruments.
- 10.5** We are engaging Pay.UK on these matters. We have confirmed that any necessary FPS Rule or FPS Reimbursement Rule changes must be made and implemented by 31 July 2024. We are also working with Pay.UK on the changes it needs to make to its compliance monitoring regime to align with our final policy.
- 10.6** As set out in this policy statement, later this month we will publish additional information to support directed PSPs to comply with the requirement in SD20 that they take steps to notify consumers of their rights, in line with how they would notify them of changes to any other service.
- 10.7** As stated earlier in this document, we also intend to consult on proposals to require all PSPs to use a single system for FPS APP scams claim management, communication and data reporting, and a potential shift to reporting standard B. We intend to issue this consultation in autumn 2024, and after the policy go-live date of 7 October 2024 as we want to ensure that all directed PSPs remain focused on implementation in the first instance.

Annex 1

Cost benefit analysis

We have assessed the impacts of our proposed amendments to SD20 and data reporting requirements against the baseline scenario that we set out below. Our baseline is that without these changes:

- PSPs using a system to manage FPS APP scam claims would continue to do so, and PSPs not currently using a system would report manually
- Pay.UK would have to obtain the data and information it needs to monitor compliance with the FPS reimbursement rules through ad hoc information requests from the PSR to PSPs (such as using our information gathering powers, including making Section 81 requests).

The main costs to the proposal will be the administrative and resource costs from manual inputting data for reporting to Pay.UK. However, consistent, timely and good-quality data is important to ensure fair consumer outcomes and effective monitoring of compliance with the policy. Therefore, as we set out below, we believe that the benefits of our amendments to SD20 are likely to substantially outweigh the expected costs.

Policy context

- 1.1** In April this year, we published a consultation seeking views on the data and information that PSPs will be required to provide to Pay.UK to enable it to fulfil its compliance monitoring role.² The consultation set out the rationale for our proposed amendments to SD19, SD20 and SR1.
- 1.2** The draft cost benefit analysis (CBA) was based on these proposals, and included in its assumptions that PSPs would be required to:
- register with Pay.UK as RCMS users which would enable Pay.UK to onboard all in-scope PSPs to a directory by the start date of 7 October 2024.
 - comply with the FPS reimbursement claim management system rule requiring all PSPs to use Pay.UK's RCMS.
 - collate, retain and report data to Pay.UK in accordance with two reporting standards (A and B) provided for in the CDRS which forms a part of SD20.
 - use Pay.UK's RCMS to manage and communicate in respect of FPS APP scam claims and to collate, retain and provide data to Pay.UK to monitor compliance when the full functionality of the RCMS comes into effect (from 1 May 2025).
 - have arrangements in place to inform their customers (who are 'consumers') of their rights under the FPS reimbursement rules.

² PSR CP24/3, [APP scams reimbursement compliance and monitoring](#), (April 2024)

1.3 This CBA has been updated to reflect the key policy changes that have been finalised following feedback from the consultation. Our amendments will require all directed PSPs to:

- register with Pay.UK by 20 August 2024 to enable delivery of the FPS Reimbursement Directory
- report data to Pay.UK on a monthly basis, as specified in reporting standard A of the CDRS from 7 October 2024, until such time that reporting standard B may come into effect – including notification of a nil return (sending firms only, in respect of APP fraud they have sent)
- retain only the data under reporting standard A while that reporting standard is in place (sending firms only)
- respond to reasonable and appropriately-scoped requests for information from Pay.UK where, based on the information Pay.UK already has, it considers that there are potential compliance issues
- comply with the record-keeping requirements contained in the CDRS (and we have made minor amendments to the CDRS in response to feedback received, to ensure the requirements are clear) – all PSPs
- amend their terms and conditions at the earliest opportunity within their governance cycles and by 9 April 2025 at the latest (sending firms only)
- Have arrangements in place to inform their customers (who are ‘consumers’) of their rights under the FPS reimbursement rules.

1.4 As stated in Chapter 9 of this policy statement, we are not putting in place any requirements for all in-scope PSPs to comply with Pay.UK’s FPS rule to use the RCMS. It remains our provisional view that the RCMS will enable firms to efficiently manage APP scam claims, and we will reconult on whether to require use of the RCMS and the timing options should we proceed, in late 2024. The scope of this CBA is therefore different from the draft CBA published in April, and now only considers the costs and benefits of the policy changes described above

1.5 Pay.UK will use data and information it receives from PSPs to identify potential non-compliance with the FPS reimbursement rules and may take compliance management steps with direct PSPs. We also have a role in managing indirect PSPs’ compliance with the FPS reimbursement rules. We are responsible for monitoring the compliance of all PSPs with our directions and requirements. This includes Pay.UK’s compliance.

Amendments to other Faster Payments APP scams directions

1.6 We are proposing to place reasonable limits on what Pay.UK can use the data and information it receives for, through amendments to SD19.

1.7 The policy statement confirms the changes to SR1 to clarify the circumstances in which we require Pay.UK to notify us of changes to its rules and clarify the policy intent in respect of multiple receiving PSPs and when a claim may be closed. While these are important amendments that provide additional clarity on the functioning of the reimbursement policy, we do not focus on them in this CBA as they are procedural requirements that Pay.UK must meet that do not have a direct impact on monitoring.

Respondents' views on the recent consultations

- 1.8** In the consultation we sought views on the draft cost benefit analysis. We received 15 responses across PSPs, industry organisations, a consumer body and a financial institution.

Insufficient information on the costs and operation of the RCMS

- 1.9** Some respondents agreed that regular provision of quality data is a key aspect of the monitoring policy. However, most respondents disagreed with the CBA or felt unable to fully comment on the basis that in their view there was insufficient information available on the costs, pricing and/or technical details of the RCMS. We summarise the relevant responses below.
- 1.10** Most respondents stated that it was difficult to assess the impact of the proposals as there was a lack of clarity around the details and technical specifications of the RCMS. Respondents indicated that since the plan and timing for in-scope PSPs to onboard to the RCMS was not provided, the CBA did not provide enough information on the direct (pricing) costs and indirect costs (onboarding and training/upskilling of staff, the costs of updating terms and conditions, and costs of connecting their own systems to the RCMS) of the RCMS to PSPs.
- 1.11** We received mixed views on the approach to the pricing of the RCMS expressed in the CBA. Respondents agreed that the use of proportionate, objective and non-discriminatory (POND) principles to determine the pricing (the cost to PSPs) of the RCMS was sensible. Some respondents expressed views on possible pricing options – with some preferring FPS transaction volumes as a basis and others preferring costs to be based on system use to incentivise fraud controls.
- 1.12** However, most respondents stated that the CBA did not provide clarity on the pricing structure, on how the 10 – 13% increase in cost of using Faster Payments had been determined or on when charging would commence.
- 1.13** Several respondents said that Pay.UK should be directed to deliver a disputes mechanism. One respondent felt that small firms may be disadvantaged, as they may be not able to fund the costs of external dispute resolution.
- 1.14** Some respondents set out that, as the RCMS only deals with APP fraud in scope of the reimbursement policy, there will be costs associated with running systems for claims that are out of scope and that these have not been considered.
- 1.15** We respond to these questions and concerns raised in 5.19 below and in more detail in Chapter 3 of the policy statement.

Cost of reporting

- 1.16** Respondents also stated that the CBA did not fully consider other costs associated with the RCMS. These included the costs of manual reporting under reporting standard A, and the costs and resource implications of migration from the BPS system, which is the system used by a number of PSPs at present.
- 1.17** One trade body expressed the view that smaller firms will not have access to BPS or the RCMS, so the burden of manual reporting and management of claims under reporting standard A would fall disproportionately on them.

Our assessment of the responses

Insufficient information on the costs and operation of the RCMS

- 1.18** We recognise that PSPs cannot fully evaluate the feasibility of the proposal to direct all in-scope PSPs to use the RCMS (the FPS reimbursement claim management system rule) without all the necessary information and details on its commercials. Following feedback from the consultation, as set out in detail in Chapter 9 of this policy statement, we are not finalising our policy requirements on the RCMS and will reconult on this proposal in late 2024.

Costs of reporting

- 1.19** The amendments to SD20 confirmed in this policy statement and our published legal instrument do not include requirements on use of the RCMS and the potential move to reporting standard B. We intend to consult on these in late-2024 when we expect all information about the RCMS to be in the public domain. This will enable respondents to fully and meaningfully engage with the proposal. In our updated cost benefit analysis below, we have taken into consideration the fact that some PSPs will be using the BPS system to report data under reporting standard A which comes at a cost to these PSPs. We have also considered the burden of manual reporting on smaller PSPs not on the BPS system. We consider that the burden on them is likely to be higher, although we expect that the burden would be proportionate to their level of fraud.
- 1.20** We have not provided a quantitative assessment of these administrative costs for PSPs. One respondent did note that members of the existing voluntary CRM Code could provide indicative headcount implications based on their prior experience. However, neither they nor any other CRM member submitted any evidence as part of their response. We have considered the costs of the reporting requirements, as set against our quantitative assessment of the administrative costs of the reimbursement requirement from our December 2023 policy statement.

Our assessment of the baseline scenario

- 1.21** In this CBA, we analyse the incremental impact of our amendments to SD20 on PSPs, set against the baseline scenario of what would likely happen with no defined requirements on PSPs for data reporting to Pay.UK. In the baseline scenario, the existing provisions of SD20 on PSPs and SD19 on Pay.UK still apply. We assess the overall costs and benefits on the final amendments to SD20 and SD19 that we are confirming. We will consult on the use of the RCMS and the FPS reimbursement system rule in late 2024, when more detailed information is available including on costs and pricing, the design, scope and technical specifications of the RCMS.
- 1.22** To monitor compliance with the FPS reimbursement rules in the baseline scenario with no data collation, retention or reporting requirements on PSPs, Pay.UK would have to rely on voluntary reporting from all PSPs (around 900) using Faster Payments. Pay.UK would by definition not be able to enforce this.

1.23 Therefore, to properly monitor compliance we would have to issue information requests to PSPs under Section 81 of the Financial Services (Banking Reform) Act 2013 (FSBRA). We would then share this information with Pay.UK so it could monitor compliance. This would be burdensome for PSPs, Pay.UK and us and involve the sharing of significant volumes of data between the parties. By providing two phased reporting standards, our proposed amendments to SD20 will:

- reduce administrative and reporting burdens for PSPs in the medium and long term
- enable Pay.UK to fulfil its obligations under SD19 to monitor PSPs' compliance with the FPS reimbursement rules using the data it receives, whether under reporting standard A or reporting standard B.

Our overall assessment of the costs and benefits

1.24 As the scope of the decisions confirmed in this Policy Statement is now narrower than the range of topics we consulted on in April 2024, we have modified the scope of the CBA from the version in the consultation document. Specifically, we are not requiring PSPs to comply with the FPS rule to use the RCMS or confirming whether and when reporting standard B may come into effect, and so have not considered the impact of these requirements within this CBA.

1.25 The amendments to SD20 that we are confirming, will impact:

- the administrative and resource costs of registering, reporting data to Pay.UK (due to the requirements in the CDRS) and of responding to reasonable and appropriately-scoped requests for information from Pay.UK
- the administrative, system and resources costs of meeting the record-keeping requirements
- the marketing, legal and communications costs (due to the proposed requirement to update their terms and conditions and to inform customers of their rights under the Faster Payments reimbursement rules)

Table 3: Summary of main costs and benefits

Benefit	Magnitude	Cost	Magnitude
Effective monitoring of compliance	High	Administrative and other resource costs	Medium in the interim period, low thereafter
		Marketing, legal and communication costs	Low

Costs

Administrative and other resource costs to PSPs

- 1.26** In our December policy statement, we produced an illustrative assessment of the potential scale of the incremental administrative costs for PSPs.³ Based on APP fraud data for 2022, our analysis produced a wide range of values: between £17 million to £38 million per year. These administrative costs included costs of implementation of the policy as well as costs of managing claims and interacting with customers.
- 1.27** Our assessment in this CBA is only concerned with assessing any additional administrative costs as a result of the amendments to SD20 related to the reporting and record-keeping requirements. Therefore we expect these costs to be small and incremental in relation to the administrative costs of the reimbursement policy estimated in the December policy statement and set out again in paragraph above.
- 1.28** Most of the administrative costs that arise from the amendments come from the requirement to report data to Pay.UK and will have different impacts on administrative costs for PSPs under the two reporting standards.
- 1.29** Manual reporting data under reporting standard A will likely increase administrative and resource costs, as data will need to be reported on a monthly basis to Pay.UK using the means they specify in their rules.
- 1.30** The increased administrative costs of manual data reporting under reporting standard A will impact different PSPs differently:
- PSPs that currently use the BPS System BPS for managing APP scam cases or are expected to be onboarded onto the system will use it while reporting standard A is in place. While the use of BPS comes at a cost, for most PSPs in this group, this cost would have been incurred even in the counterfactual scenario where there was no reporting requirement. Additionally, the BPS functionality will reduce the burden of manual reporting to Pay.UK under reporting standard A for these PSPs, as compared to PSPs not on the BPS system.
 - PSPs that are not on BPS will face slightly higher costs as a result of resource and headcount increases for manual reporting under reporting standard A. However, the volume of cases sent by PSPs not on BPS is quite low. UK Finance is onboarding a small number of strategically important PSPs onto BPS to comply with the reimbursement requirement. Additionally, we are reducing the cost of manual reporting by only requiring PSPs to report a subset of data points to generate a core set of metrics for compliance monitoring in this period. We are also removing the regulatory burden on firms to collate and retain all data within the CDRS from 7 October, for the period that reporting standard A applies.

3 See paragraphs 1.57 to 1.60 of the Cost benefit analysis in [PS23/4, Fighting authorised push payment scams: final decision](#) (December 2023), Annex 1

- 1.31** In the baseline scenario without these reporting standards reflected in SD20, Pay.UK would be reliant on receiving data through us issuing *ad hoc* section 81 requests to all in-scope PSPs. This would come at a cost to the us and PSPs, as it would involve more resources to manage and respond to these requests in a short timeframe. Thus, the regular reporting under reporting standard A would likely involve lower admin costs in comparison to the baseline.
- 1.32** There is a broader requirement on PSPs to respond to reasonable requests for information from Pay.UK to enable it to monitor and manage compliance. These requests would sit outside of standard reporting and would require administrative resource to prepare. However, ensuring that these requests are reasonable and appropriately scoped – as per our confirmed amendments to SD20 – will also help to manage costs and protect PSPs against the additional costs associated with these requests becoming excessive or unreasonable.
- 1.33** By confirming the data required to monitor compliance under both reporting standards the reduction in time expended and administrative costs applies not just to the PSPs. In the baseline scenario, we would likely need to issue Section 81 requests to all in-scope PSPs to access the necessary data to ensure compliance. The amendments would therefore also reduce our administrative and resource costs for compliance monitoring as compared to the baseline.
- 1.34** As we set out in our June and December policy statements, the reimbursement requirement is likely to lead to increased administrative costs for PSPs.⁴ Although PSPs said that these costs would be substantial, we did not receive any data on administrative costs from PSPs to estimate this cost of the reimbursement policy and this remains the case for this CBA.
- 1.35** We believe that the confirmed changes to SD20 as set out in this policy statement and the accompanying legal instruments will likely result in higher costs in the interim period due to manual reporting. Should a single system come into effect, we expect the costs to decrease over time due to automatic reporting and the reduction in APP fraud levels.

Marketing, legal and communication costs

- 1.36** All directed PSPs will also face a small, one-off increase in their marketing and communication costs as a result of the amendment to SD20 requiring them to inform their customers (who are ‘consumers’) of their rights under the FPS reimbursement rules.⁵ We would expect most PSPs to do this without being required to by the PSR, especially considering firms’ responsibilities under the FCA Consumer Duty. That being said, it would impose a small additional cost on those PSPs that would not have done so otherwise.
- 1.37** Directed PSPs will also face legal costs due to the requirement on directed PSPs to update their contractual terms and conditions with the consumer, to include a provision that a PSP would reimburse their consumers in line with the reimbursement requirement and rules. We expect that these will be small, one-off costs that PSPs will incur. PSPs are already expected to routinely update their terms and conditions, and therefore the additional cost of legal resource to make these changes is quite small.

4 Cost benefit analyses in PS23/3, [Fighting authorised push payment fraud: A new reimbursement requirement](#) (June 2023), Annex 4 and PS23/4, [Fighting authorised push payment scams: final decision](#) (December 2023), Annex 1.

5 The customers must meet the definition of a consumer as specified in paragraph 9.4 of SD20.

Benefits

Effective monitoring of compliance

- 1.38** The CDRS confirms the data points that in-scope PSPs must provide to Pay.UK to enable it to monitor PSPs' compliance with the FPS reimbursement rules, as required by SD19. The amendments also require PSPs to respond to reasonable requests for data or information that Pay.UK may need to effectively monitor and manage compliance with the FPS reimbursement rules. Effective monitoring of compliance will further incentivise PSPs to follow the FPS reimbursement rules and support good outcomes for service users.
- 1.39** As stated above, the counterfactual where the PSR issues multiple section 81 requests to PSPs to monitor their compliance with the reimbursement rules would be an inefficient method to monitor compliance.
- 1.40** As stated in the cost benefit analysis published as part of our December 2023 policy statement, the reimbursement policy is expected to bring about a reduction in the incidence of APP scams, more consistency and certainty in relation to reimbursement for victims, increased recovery of APP scams funds at receiving PSPs, create a level playing field across different PSPs and improve reimbursement rates for people.⁶ Monitoring compliance is necessary to ensure that these benefits are materialised.
- 1.41** Standardised and regular reporting will not only enable effective monitoring of compliance, but will also support and enable our future work to evaluate the effectiveness and impact of the policy.

Conclusion

- 1.42** The data reporting regime is necessary to enable Pay.UK to meet the obligations we have placed upon it to effectively monitor compliance with the FPS reimbursement rules. It is critical to ensure that PSPs are implementing the policy consistently and in line with the requirements and to ensuring that consumers are being appropriately reimbursed. We have weighed the costs of the amendments to SD20 against the benefits that an effective compliance monitoring regime will have on consumer and PSP outcomes, and we consider that these proposals will ultimately reduce the net costs, relative to a baseline where we do not intervene, to the benefit of consumers and PSPs.
- 1.43** We have considered the burden on PSPs to collect and report data manually under reporting standard A - both in terms of the quantity of data and the level of detail of the data. However, we have taken a measured approach to only require the minimum standard of compliance data that is necessary to assess whether the core policy requirements under SD20 are being met. We also expect this cost of reporting to likely overlap with APP fraud reporting requirements under SD18 for some PSPs.
- 1.44** Overall, we consider that the benefits of our proposed amendments are likely to outweigh the incremental costs they would impose on PSPs.

⁶ Cost benefit analyses in PS23/4, [Fighting authorised push payment scams: final decision](#) (December 2023), Annex 1.

PUB REF: PS24/3

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12 Endeavour Square

London E20 1JN

Telephone: 0300 456 3677

Website: www.psr.org.uk

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