

Consultation paper

CHAPS APP scam reimbursement requirement

Supporting the Bank of
England in enhancing fraud
prevention in CHAPS

May 2024

We welcome your views on this CHAPS APP scams reimbursement consultation. If you would like to provide comments, please send these to us by **5pm on 31 May 2024**.

You can email your comments to **appscams@psr.org.uk** or write to us at:

APP scams
Payment Systems Regulator
12 Endeavour Square
London E20 1JN

We will consider your comments when preparing our response to this consultation.

We will make all non-confidential responses to this consultation available for public inspection.

We will not regard a standard confidentiality statement in an email message as a request for non-disclosure. If you want to claim commercial confidentiality over specific items in your response, you must identify those specific items which you claim to be commercially confidential. We may nonetheless be required to disclose all responses which include information marked as confidential in order to meet legal obligations, in particular if we are asked to disclose a confidential response under the Freedom of Information Act 2000. We will endeavour to consult you if we receive such a request. Any decision we make not to disclose a response can be reviewed by the Information Commissioner and the Information Rights Tribunal.

You can download this consultation paper from our website:

www.psr.org.uk/publications/consultations/cp248-chaps-app-scam-reimbursement-requirement/

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1 Executive summary

- 1.1** We propose to direct relevant payment service providers (PSPs) participating (directly or indirectly) in CHAPS to reimburse their consumers who have been victims of authorised push payment (APP) scams. Our direction will support the Bank of England's CHAPS reimbursement rules.
- 1.2** In June 2023, we published our policy requiring PSPs to reimburse APP scam victims who'd lost money through Faster Payments transactions. This was a key step towards our strategic goals of strengthening consumer protections in account-to-account payments, to build trust in them as a safe and secure payment method.
- 1.3** However, criminals operate across multiple payment systems and, in December 2023, we said we would support the Bank of England (the Bank) as it introduces similar requirements for CHAPS. It intends to do so to align with the go-live date of 7 October 2024.
- 1.4** In this consultation, we invite views on our proposed specific direction, which we intend to underpin the CHAPS reimbursement rules. This direction will place a requirement on CHAPS PSPs to follow these rules and reimburse victims of APP scams in accordance with the Bank's CHAPS reimbursement requirement policy. This mirrors the approach we have taken to implementing the reimbursement policy in Faster Payments.
- 1.5** This consultation concerns the proposed specific direction on PSPs who participate in CHAPS and who provide a relevant CHAPS account in the UK to their payment service users which can send or receive payments over CHAPS (in-scope PSPs).
- 1.6** The Bank is the operator of CHAPS. Its responsibilities include creating and maintaining the CHAPS Reference Manual, which include the rules CHAPS Direct Participants must adhere to. The Bank will include the CHAPS reimbursement rules in an annex to the CHAPS Reference Manual.
- 1.7** Our proposed direction aims to ensure that all in-scope PSPs comply with the CHAPS reimbursement rules. It should be reviewed alongside the Bank's draft CHAPS reimbursement rules which we have published alongside this consultation. The Bank has based the rules on the latest available Faster Payments reimbursement rules created as required by our Specific Requirement 1. The aim is to provide a consistent outcome for victims of APP scams across CHAPS and Faster Payments, and consistent processes for CHAPS and Faster Payments participants, as well as consistent incentives on PSPs to prevent fraud.
- 1.8** We are not consulting on the CHAPS reimbursement rules in this consultation. If you have any comments on them, you can send them directly to the Bank here, by 5pm on 31 May 2024: chapsappfraud@bankofengland.co.uk
- 1.9** After we have considered the responses to this consultation, we intend to finalise and publish the specific direction in September 2024, with a go-live date of 7 October 2024. This is the go-live date for our Faster Payments reimbursement policy, so APP scam victims will get the same protection across both payment systems.
- 1.10** The deadline for responding to this consultation is **5pm on 31 May 2024**.

2 Introduction

We propose to give a specific direction to all PSPs participating in CHAPS that provide a relevant CHAPS account in the UK to their payment service users who send and receive CHAPS payments.

This direction underpins the CHAPS reimbursement rules, which the Bank will be implementing as an appendix to the CHAPS Reference Manual.

- 2.1** In June 2023, we published our policy statement PS23/3, *Fighting authorised push payment fraud: a new reimbursement requirement*.¹ This policy increased protections within Faster Payments, because a significant proportion of APP scams are perpetrated over this payment system.
- 2.2** The Bank, as the operator of CHAPS, announced, alongside our June policy statement, that it was committed to achieving comparable outcomes of consumer protections for CHAPS. CHAPS is the UK's high-value payment system. While the focus of CHAPS is wholesale payments, it is used by consumers for some high-value and/or time-sensitive retail payments. Ensuring those consumers are sufficiently protected when using the UK's payment systems is a strategic priority for us, so we are keen to support the Bank in this aim.
- 2.3** We also want to:
- ensure that this does not place unnecessary, duplicative or inconsistent regulatory burdens on CHAPS participants
 - provide incentives to PSPs to prevent fraud, which in turn prevents criminals switching from Faster Payments to payment systems without a reimbursement requirement
- 2.4** We have been working with the Bank to define a reimbursement model that reflects the unique characteristics of CHAPS, is simple to implement, and creates APP scam protections for consumers making payments over CHAPS comparable to those made over Faster Payments.
- 2.5** The Bank will place the reimbursement requirement into an appendix in the CHAPS Reference Manual. This aligns with the approach Pay.UK, the operator of Faster Payments, took with the Faster Payments reimbursement rules.

¹ PS23/3, [Fighting authorised push payment fraud: a new reimbursement requirement](#) (June 2023).

- 2.6** We outlined in PS23/3 that we expected to adopt the approach we took to Faster Payments: giving a direction under section 54 of the Financial Services (Banking Reform) Act 2013 (FSBRA), requiring direct and indirect CHAPS participants to comply with the relevant CHAPS scheme rules.
- 2.7** As part of our consultation on our package of legal instruments for Faster Payments², we asked whether it would be right to follow a similar approach for CHAPS. Most respondents said that it would. Given these responses, we have sought to make our specific direction for CHAPS direct and indirect participants similar to Specific Direction 20, while allowing for the differences in the CHAPS payment scheme. Table 1 outlines the operation of the direction and rules that will implement the reimbursement requirement into CHAPS. We explain more about these in Chapter 3.
- 2.8** In this consultation we are seeking views on our proposed specific direction for CHAPS. It directs in-scope PSPs to comply with the Banks' CHAPS reimbursement rules (published alongside this consultation).
- 2.9** This consultation should be read alongside PS23/3³ and PS23/4⁴, which include further context on our work on APP scams, and the broader context in which the Bank is implementing the reimbursement requirement for CHAPS.
- 2.10** This consultation should also be read alongside CP24/3⁵, in which we are consulting on proposed amendments to Specific Direction 20 (SD20). Given our proposition to align the reimbursement requirements in CHAPS and Faster Payments, we have included the proposed amendments to SD20 in the approach to CHAPS proposed as part of this consultation. We do not want to create additional burden on directed PSPs, so we have not duplicated the background and questions from CP24/3 as part of this consultation, but instead asked PSP views on whether we should follow the same approach in CHAPS as we are doing for Faster Payments.

2 CP23/4, [A new reimbursement requirement: Faster payments APP scam reimbursement rules and operator monitoring](#) (July 2023).

3 PSR PS23/3, *Fighting authorised push payment fraud: a new reimbursement requirement* (June 2023), <https://www.psr.org.uk/publications/policy-statements/ps23-3-fighting-authorised-push-payment-fraud-a-new-reimbursement-requirement/>

4 PSR PS23/4, *Fighting authorised push payment fraud: a new reimbursement requirement* (December 2023), <https://www.psr.org.uk/media/kwlgzyti/ps23-4-app-scams-policy-statement-dec-2023.pdf>

5 PSR CP24/3, [The FPS APP scams reimbursement requirement: compliance and monitoring](#) (April 2024).

Table 1: Legal instruments covering APP scams reimbursement for CHAPS

Legal instrument	Areas covered
CHAPS reimbursement rules	<ul style="list-style-type: none"> • The reimbursement requirement and its scope • Sharing the cost of reimbursement • A time limit to reimburse victims • The ability to charge, and level of, a claim excess • The ability to impose, and level of, a maximum level of reimbursement • A time limit for victims to claim
Specific direction to CHAPS participants (FBSRA section 54)	<ul style="list-style-type: none"> • Set out the CHAPS reimbursement requirement and who it applies to • Direct all PSPs within the scope of the direction (including indirect participants) to: <ul style="list-style-type: none"> ○ reimburse APP scams victims in accordance with the CHAPS reimbursement rules ○ report data to the Bank
CHAPS Compliance Date Reporting Standard	<ul style="list-style-type: none"> • Sets out the data that PSPs within scope of the direction will need to report to the Bank

Responses and next steps

- 2.11** We are asking for feedback on the specific direction set out in this consultation by **5pm on 31 May 2024**. We welcome feedback not only from the entities that we regulate, but also from all stakeholders and interested parties.
- 2.12** You can provide feedback by emailing us at **appscams@psr.org.uk**. You should provide your responses in a Microsoft Word document (rather than, or as well as, a PDF).
- 2.13** We will consider all consultation responses received by the deadline. Because we intend to finalise all the legal instruments by September 2024, we will not grant extensions for responses.
- 2.14** We will make all non-confidential responses available for public inspection and publish these along with the responses when we finalise the specific direction. If your submission includes confidential information, please also provide a non-confidential version suitable for publication. If you deem your submission to include confidential information, please explain why you consider it confidential. Please also note that we do not accept blanket claims of confidentiality.

3 CHAPS specific direction

We will give a specific direction to all in-scope PSPs (including indirect participants of CHAPS) to comply with the CHAPS reimbursement rules and report data to the Bank.

It will define the scope of which payments and consumers are covered. The Bank will remain responsible for the CHAPS reimbursement rules.

The specific direction will also outline what data the directed PSPs will need to submit to the Bank for monitoring purposes. We have aligned this with the reporting standard in our Faster Payments reimbursement requirement, to streamline the data PSPs will need to retain and report to the Bank.

- 3.1** We have made our approach to CHAPS as similar as possible to our approach to Faster Payments, to reduce unnecessary duplication of work for directed PSPs while ensuring comparable protections in both systems.

CHAPS reimbursement overview

- 3.2** For Faster Payments, we embedded our reimbursement policy into the Faster Payments rules through Specific Requirement 1 (SR1). This required Pay.UK to include our main requirements in the Faster Payments rules. To ensure the effectiveness of our policy, we also directed Pay.UK to create and implement a compliance monitoring regime for all requirements across in-scope PSPs. We did this through Specific Direction 19 (SD19). Finally, we directed all in-scope PSPs to comply with the Faster Payments rules and report data to Pay.UK, through Specific Direction 20 (SD20).
- 3.3** CHAPS is a designated payment system under FSBRA. Although the Bank is the operator of CHAPS, it is not a 'participant' in CHAPS for the purposes of FSBRA. This means that we cannot use our powers under section 54 or section 55 of FSBRA to require the Bank to change the CHAPS rules, nor direct the Bank to take specified actions in relation to the system as we did with Pay.UK, nor do we consider it necessary. We can, however, use our powers under FSBRA over payment service providers who participate in CHAPS.
- 3.4** The Bank has proactively drafted CHAPS reimbursement rules, keeping them as consistent as possible with the Faster Payments reimbursement rules that originated from SR1. The Bank is also developing its own compliance monitoring regime for CHAPS, which it is seeking to keep broadly consistent with the one Pay.UK is creating under SD19. As the compliance monitoring regime also seeks parity with the approach Pay.UK is taking with Faster Payments, directed PSPs will not need to provide data metrics based on fundamentally different definitions for CHAPS APP scam reporting.

Why we are issuing a direction

- 3.5** Our statutory objectives underpin everything we do. In summary, these are:
- to ensure that payment systems are operated and developed in a way that considers and promotes the interests of all the businesses and consumers that use them
 - to promote effective competition in the markets for payment systems and services – between operators, PSPs and infrastructure providers
 - to promote the development of innovation in payment systems
- 3.6** Ensuring end users are sufficiently protected when using the UK’s payment systems is also one of our strategic priorities. A reimbursement requirement creates a clear financial incentive for payment service providers to do everything they can to limit fraudsters’ ability to access the UK banking system and move money into their control.
- 3.7** We believe that consistent incentives and protections between payment systems is in line with both our statutory objectives and strategic priorities. Issuing a direction so that CHAPS protections match the ones in Faster Payments will mean most victims of APP scams are swiftly reimbursed, and payment firms do even more to prevent scams in the first place. These increased protections should have the added benefit of boosting consumer confidence in the UK payments ecosystem. Doing this will also ensure financial incentives are aligned across systems and prevent fraud migrating to CHAPS.
- 3.8** The Bank, as the operator, has explained that it faces similar constraints to Pay.UK as the payment system operator: their CHAPS scheme rules only apply to CHAPS Direct Participants, and there are a lack of enforcement powers for a nuanced approach to enforcing compliance under the CHAPS reimbursement rules.
- 3.9** For the Bank’s CHAPS reimbursement rules to reach indirect participants, we need to issue a direction that obliges in-scope participants to comply with the rules. This means they will reach the indirect PSPs participating in CHAPS, and we would be able to use our enforcement powers against non-compliant PSPs.
- 3.10** Finally, under the Payment Service Regulations (PSRs) 2017, there is a presumption that liability for a correctly executed payment sits with the consumer rather than the PSP. To displace this presumption, the Financial Services and Markets Act 2023 states that the PSR must use its powers under section 54 or section 55 of FSBRA to give a ‘relevant requirement’. As we have mentioned, we can only use our powers under FSBRA to direct participants in CHAPS. Therefore, in issuing this specific direction, we are displacing this presumption so that liability for APP scams can be attributed to PSPs under our reimbursement policy, and in line with the CHAPS reimbursement rules.

Question 1: Do you agree that we should follow a similar approach for CHAPS as we did for Faster Payments in issuing this specific direction?

Overview of the specific direction

- 3.11** Using our powers under section 54 of FSBRA, we are proposing to give a specific direction to all CHAPS participants who provide CHAPS-relevant accounts to service users in the UK which can send or receive payments through CHAPS. This scope is aligned with the equivalent in SD20 for Faster Payments.
- 3.12** To ensure that the same types of PSPs are captured by the CHAPS reimbursement requirement, credit unions, municipal banks and national savings banks will be out of scope – in the same way they are out of scope of our Faster Payments reimbursement requirement.
- 3.13** Additionally for CHAPS, financial market infrastructures (FMIs) will also be out of scope. We have specified that FMIs are out of scope for the avoidance of doubt – but the scoping of our direction will still capture those PSPs who have the ability to send an APP scam over CHAPS. Given FMIs do not offer relevant CHAPS accounts, they would not have the ability to send an APP scam over either CHAPS or Faster Payments, and therefore there is no need to have them in scope of the policy.
- 3.14** The proposed specific direction is intended to mirror SD20 in form and function. It will comprise:
- a. The reimbursement requirement.
 - b. The scope of the reimbursement requirement.
 - c. An obligation on both direct and indirect CHAPS PSPs to comply with the Bank’s CHAPS reimbursement rules.
 - d. An obligation on in-scope CHAPS participants to inform consumers of their rights under the CHAPS reimbursement requirement.
 - e. An obligation on in-scope CHAPS participants to report CHAPS APP scam metrics to the Bank, in accordance with the CHAPS reimbursement rules and the CHAPS data standard. This would be broken down into two reporting standards, matching the standards we propose to add to SD20.⁶
 - f. An obligation on indirect access providers to inform us of any indirect PSP customer they provide CHAPS access to.
- 3.15** The specific direction will compel CHAPS participants to reimburse any victim that reports a reimbursable CHAPS APP scam payment to their sending PSP, subject to the CHAPS reimbursement rules. These rules will contain some limitations to reimbursement, which we set out in paragraphs 3.20 to 3.23.
- 3.16** The specific direction will apply to all reimbursable CHAPS APP scam payments made after the go-live date.

Question 2: Do you agree with the proposed function and scope of our specific direction?

6 PSR CP24/3, [The FPS APP scams reimbursement requirement: compliance and monitoring](#) (April 2024).

Transaction types the direction would apply to

- 3.17** We have sought to keep the transactions that the proposed specific direction applies to similar to SD20, allowing for nuances in CHAPS.
- 3.18** The proposed specific direction will apply to all CHAPS payments:
- executed with a pacs.008 message
 - authorised by the PSP's consumer
 - executed by the PSP in the UK
 - received in a CHAPS-relevant account in the UK that is not controlled by the consumer
 - where the recipient is not who the consumer intended to pay, or the payment is not for the purpose the consumer intended
- 3.19** The specification of pacs.008 messaging clarifies that only retail transactions initiated by consumers will be in scope of the CHAPS reimbursement requirement. The definition of consumer remains the same as in our Faster Payments reimbursement requirement – defined as individuals, charities and microenterprises.

Limitations to reimbursement

- 3.20** The limitations of reimbursement in CHAPS are intended to mirror those in Faster Payments. The Bank intends to include the same claim limits (excess, maximum level of reimbursement and time limit) in the CHAPS reimbursement rules. It has also referred to the same consumer standard of caution we have published for the Faster Payments reimbursement policy.⁷
- 3.21** The CHAPS reimbursement rules include these limitations to reimbursement:
- a. a consumer standard of caution exception
 - b. a maximum excess and level of reimbursement
 - c. a time limit to claim
- 3.22** The maximum claim excess and level of reimbursement are set by the Bank and included in the CHAPS reimbursement rules. These are the same as the levels we set in our Faster Payments reimbursement policy:
- a. £100 for the excess
 - b. £415,000 for the maximum level of reimbursement
- 3.23** Where an APP scam claim contains payments made across both Faster Payments and CHAPS, we propose that the payments should be treated as part of the same claim and a single excess and maximum level of reimbursement will apply.

⁷ PSR, [The Consumer Standard of Caution Exception](#) (December 2023).

Registering with the CHAPS operator

- 3.24** We are proposing to include a requirement in the specific direction for PSPs to register in line with the Bank's CHAPS reimbursement rules. Registration will enable PSP details to be included in a contact directory where PSPs will be able to find contact details for one another and so support them to manage CHAPS APP scam reimbursement claims. This mirrors the obligation we have included in Faster Payments, and the contact details provided by PSPs under this requirement will be included in the same contact directory as those provided under the Faster Payments requirement. The contact directory will be handled by Pay.UK on behalf of the Bank.
- 3.25** To avoid duplication with the requirement under SD20, PSPs will only need to register as required by the Bank if they are not already caught under our registration requirement under SD20. This means that PSPs who are in scope of both SD20 and this proposed specific direction for CHAPS will only need to register their contact details once, and these will be used for the purposes of contact by other PSPs to discharge their obligations under the Faster Payments or CHAPS reimbursement requirement policy.
- 3.26** We propose to include a requirement in this specific direction for all PSPs to register as required by the Bank. This will mean both direct and indirect PSPs are required to register, where they have not already done so under SD20. This is important as the Bank's CHAPS scheme rules currently only apply to direct participants of CHAPS.
- 3.27** PSPs will be required to register using the method, and providing the information, that the Bank specifies in its rules.
- 3.28** PSPs which are new entrants to CHAPS and provide relevant accounts at any date after the PSR direction is given, and while it continues in force, must register as required by the Bank before sending or receiving live transactions using CHAPS. The exception to this is if they have already registered with Pay.UK as part of their obligations under SD20.

Reporting APP scam case data

- 3.29** We are proposing equivalent reimbursement requirements for CHAPS and Faster Payments. The Bank has based the CHAPS reimbursement rules on the Faster Payments reimbursement rules drafted by Pay.UK. This means that APP scams perpetrated over CHAPS will be subjected to the same standard of investigation and process by PSPs as those perpetrated over Faster Payments.
- 3.30** As the operator, the Bank will monitor compliance with the CHAPS reimbursement rules – within the scope of its contractual powers as CHAPS payment system operator (PSO). In order to do so, it has developed a data reporting standard outlining the metrics that directed PSPs should report. This data will also be made available to the PSR, to enable us to monitor compliance with our proposed specific direction.
- 3.31** In developing the data standard, the Bank has considered how PSPs organise themselves: typically, a central fraud team that handles APP scam claims in a similar, if not identical fashion, regardless of the payment system across which the scam was perpetrated. The Bank has sought to keep the data reporting standard the same as for Faster Payments, noting that the nature of the APP scam and the criteria for reimbursing the consumer will be the same for both payment systems.

- 3.32** CHAPS is the UK's high-value payment system, and payments made through it are often subject to additional scrutiny and friction for consumers. For example, some PSPs only permit consumers to initiate CHAPS payments in-branch or via telephone banking. This means there are comparatively fewer payments, and considerably fewer APP scams, in CHAPS than in Faster Payments. The lower number of scams means that we would not expect the CHAPS reporting obligation to be a significant additional burden on directed PSPs that also participate in Faster Payments, nor a burden on those only participating in CHAPS.
- 3.33** We propose to incorporate the Bank's data standard in a separate document, the CHAPS Compliance Data Reporting Standard (CCDRS), mirroring our approach for Faster Payments. The CCDRS specifies the data and information that all PSPs will be required to collate and retain for the Bank to effectively monitor compliance. The draft CCDRS has been published alongside this consultation. Given their similar nature, we may look to amalgamate both the Faster Payments CDRS and the CCDRS into one document in the future.
- 3.34** As in Faster Payments, the CCDRS has two reporting standards – A and B. The proposed specific direction will refer to the CCDRS and outline the circumstances in which reporting standards A and B will apply. The circumstances will be consistent with those in Faster Payments, and these are outlined in the specific direction published alongside this consultation. More information about our approach for reporting standards in Faster Payments can be found in our consultation paper CP24/3.⁸
- 3.35** To place proportionate data reporting requirements on directed PSPs, we are proposing a phased approach:
- a. From the implementation (go-live) date, Reporting Standard A will be in place. Under Reporting Standard A, all directed PSPs must retain all data in the CCDRS. They will be required to report a focused set of compliance data to the Bank on a monthly basis. The initial approach will be for PSPs to submit, via email, a completed spreadsheet to the Bank as operator of CHAPS once a month.
 - b. Reporting Standard B will apply from 1 May 2025, or from the date when PSPs are able to access Pay.UK's reimbursement claim management system (RCMS) – whichever is later. All directed PSPs will be required to make a more comprehensive set of CHAPS APP scam data available to the Bank. The Bank is in discussions with Pay.UK about incorporating CHAPS data into Pay.UK's RCMS. The basis for the proposed date is to give Pay.UK and directed PSPs six months from the policy start date of 7 October 2024 to be ready to use the RCMS. If it is not available for CHAPS by 1 May 2025, an option to submit to the Bank via email will remain in place.
- 3.36** We propose that new entrants to the market be required to comply with Reporting Standard A for the remainder of the calendar month in which they register with the Bank, and the following full calendar month. This means they will be required to report data under Reporting Standard A, in line with the Bank's reimbursement rules, on the last business day of the next month following that reporting period. We propose that this does not apply to PSPs who are already in-scope of SD20 and onboarded onto Pay.UK's RCMS.

8 PSR CP24/3, [The FPS APP scams reimbursement requirement: compliance and monitoring](#) (April 2024).

- 3.37** For the avoidance of doubt, PSPs must retain all data under both Reporting Standard A and B in the CCDRS, and the underlying data, while Reporting Standard A is in place.
- 3.38** While this data will be used by the Bank for compliance monitoring within the scope of their contractual powers as CHAPS PSO, the PSR may receive some of this data where PSP compliance issues are escalated to us to consider, including in relation to indirect participants and/or compliance with PSR directions.

Question 3: Do you agree that we should align the reporting standards between Faster Payments and CHAPS?

Question 4: If you believe that we should have different data standards, please provide details of the differences.

Process for amending the CHAPS compliance data reporting standard

- 3.39** The data and information that we require PSPs to report or provide to the Bank may need to adapt to changes over time. This may include requiring new or different data and information to be reported or reducing the data and information that PSPs are required to provide to the Bank.
- 3.40** Should we decide to amend the CCDRS, we propose that we would publish a notice of the proposed changes on our website in advance of such changes being confirmed. Any changes would then come into effect no sooner than 30 days after being confirmed on our website. Where any proposed changes are material, we will follow standard procedures and consult as required. We would also expect the Bank to cascade the proposed changes to CHAPS participants.
- 3.41** We consider that this approach provides regulatory certainty, and a clear basis for any necessary changes, and strikes the appropriate balance of procedural fairness and efficiency.

Indirect access providers to inform the PSR of any indirect PSP customers they provide access to

- 3.42** As we did in SD20, we are proposing to place an obligation on indirect access providers to inform us of all indirect PSP customers they provide access to.
- 3.43** We are proposing that all CHAPS indirect access providers provide a list of all their indirect PSP customers for the previous calendar year by 31 March 2025. As with SD20, this will be an ongoing obligation, and we would expect PSPs to provide this list on an annual basis. The deadline for this would match that in SD20, so that PSPs can complete a single return for both Faster Payments and CHAPS indirect PSP customers.
- 3.44** In equivalence with SD20, we would share the list with the Bank, which may in turn share it with Pay.UK. This would feed into the APP scams directory that Pay.UK is building, which allows PSPs to contact each other as part of an APP scam investigation ahead of being onboarded to the RCMS.

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

- 3.45** In our December 2023 publication we stated that the Faster Payments reimbursement requirement and Faster Payments reimbursement rules are part and parcel of the Faster Payments rules. In our approach to Faster Payments, we are considering an amendment to SR1 that will result in an amendment to the Faster Payments reimbursement rules. The Bank, following the principle of consistency, would reflect this amendment in the CHAPS reimbursement rules.
- 3.46** Mirroring our approach to Faster Payments, we are considering two options to clarify the consumer's right to reimbursement in accordance with the reimbursement rules:
- The first is a provision in the proposed specific direction 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 CHAPS reimbursement requirement and rules.
 - The second is a provision in the proposed specific direction to make it explicit that if a sending PSP fails to reimburse a consumer as required by the CHAPS reimbursement requirement and rules, the consumer will have a right to seek redress pursuant to the CHAPS reimbursement requirement and rules and recover the outstanding amount from their sending PSP in the civil courts.
- 3.47** We recognise there may be a cost and administrative burden in bringing in the first option by 7 October 2024 and we are seeking your views on what the relative costs and burdens may be, if any, above and beyond the requirement to notify consumers of their rights as set out below. We are interested in views on what a reasonable timescale for introducing this requirement may be, or whether a phased approach might be more appropriate.
- 3.48** We will also be proposing that PSPs notify consumers of their rights to be reimbursed in line with the CHAPS reimbursement requirement and rules. We expect PSPs to notify consumers of their rights in line with how they would notify them of changes to any other service. PSPs should continue to have regard to their obligations under the consumer duty. We see this amendment as important to building consumer trust and confidence in the system.
- 3.49** If a consumer is unhappy with how their PSP has assessed their APP scam claim under our policy, then they can take their complaint to the Financial Ombudsman Service. The ombudsman will consider what is fair and reasonable in circumstances regarding the individual complaint.
- 3.50** 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.

Question 5: We are seeking your views on the proposed options, including the relative costs, benefits and timescales. Please indicate if these are the same as your response to question 15 in CP24/3, in which case there is no need to repeat your response here.

Implementation (go-live) date

- 3.51** Ensuring end users are sufficiently protected when using the UK's payment systems is a strategic priority for us. The Bank is also keen to ensure that CHAPS has equivalent protections to Faster Payments and that these are introduced at the same time. This means that we are keen to implement the CHAPS reimbursement requirement on 7 October 2024, at the same time as the Faster Payments reimbursement requirement in SD20.
- 3.52** Going live on this date will also give the CHAPS reimbursement rules equal effect for both direct and indirect participants. This means that consumers will get the same level of protection regardless of whether they are making a payment over Faster Payments or CHAPS, or whether their PSP is a direct or indirect participant.
- 3.53** We understand that PSPs will have less time between the publication of this specific direction and the go-live date than with our package of legal instruments for the Faster Payments reimbursement requirement. However, we consider that the date of 7 October 2024 is reasonable as much of the PSPs' work preparing for the Faster Payments reimbursement requirement will also apply to preventing scams in CHAPS.
- 3.54** Additionally, as previously mentioned, CHAPS payments are already typically subject to more friction for consumers than in Faster Payments. This means that for those PSPs that would not already be captured by the Faster Payments reimbursement requirement, there will be less operationalising of fraud prevention needed to prepare for the going live of the policy. We, and the Bank, do not believe there are many, if any, firms that would be in scope for CHAPS but not in scope for Faster Payments.
- 3.55** We understand that Pay.UK is still working through the RCMS for APP scam reimbursement, and the system may not be ready in time by 7 October 2024. The Bank has created a manual reporting solution for PSPs to report CHAPS data. Given the lower volumes of APP scams in CHAPS, we do not believe that the absence of the RCMS will result in our specific direction placing a disproportionate reporting burden on directed PSPs.

Question 6: Do you agree that we should align the start date of the proposed specific direction with the effective date of the CHAPS reimbursement rules?

4 Information management and record keeping

In this chapter we set out proposals for requiring directed PSPs to assure themselves of the quality, accuracy and integrity of the data and information they will be providing to the Bank, to support effective compliance monitoring.

We also propose that directed PSPs be required to respond to timely, accurate and appropriately scoped requests for information from the Bank. This is to enable the Bank to effectively monitor and manage compliance where it has the contractual powers to do so, whilst placing reasonable and proportionate limits on the requests that PSPs will be required to respond to. We have provided examples of the types of data and information requests that we consider PSPs should be required to respond to.

We also propose that PSPs should be required to retain all data within the CCDRS for a period of five years from the date of collection. This will ensure that all information that the Bank may need to monitor and manage compliance is available to it. These proposals will place clear obligations on PSPs in respect of information collation, provision and retention.

Information and record keeping provisions

4.1 We propose to place requirements in the specific direction on PSPs in scope of the direction to collate, retain and provide data and information to the Bank, and assure themselves as to its quality. We are seeking views on the following proposed requirements:

- All PSPs must collate and retain all data and information specified in the CCDRS and other information relevant to the CHAPS APP scam reimbursement claim. This information must be retained for five years.
- PSPs must comply with the CCDRS, which we will publish. This will contain the data and information that PSPs will be required to collate and retain, and set out which data is required to be provided to the Bank under each of the different reporting standards.
- PSPs must take appropriate and reasonable steps to assure themselves as to the accuracy of the data and information relevant to the CHAPS APP scam claim before providing it to the Bank.

4.2 PSPs must provide timely, complete and accurate responses to reasonable and proportionate requests for information from the Bank that are appropriately scoped, having regard to the timeframe for the response. The Bank will set what constitutes a timely response. We are proposing that reasonable and proportionate requests for information include – but are not limited to – requests that are appropriately scoped to:

- enable the Bank to undertake compliance monitoring activities against its rules
- relate to the Bank’s role in monitoring and assuring the quality, accuracy, completeness and integrity of the data received
- enable the Bank to undertake enhanced monitoring in response to any potential compliance issues identified

4.3 PSPs must ensure all data and information is retained in a secure manner and compatible with relevant legislation, including the UK General Data Protection Regulation (GDPR).

4.4 We propose that these requirements apply regardless of the reporting standard in place.

Responding to reasonable requests for information

4.5 We have provided a table with examples of the types of information that may be considered ‘reasonable requests for information’ from the Bank, and which would be subject to appropriate scoping of any such request.

Table 2: Examples of reasonable requests for information, subject to appropriate scoping

Example categories of reasonable requests for information	Examples of information within this category
<p>Information enabling the Bank to monitor compliance with the CHAPS reimbursement rules</p>	<ul style="list-style-type: none"> • Anonymised details of requests for information that the sending PSP has made of the consumer or receiving PSP • Additional detail to explain or justify the rationale for an alert triggered. This could include a request for an independent control function (e.g. Risk, Compliance or Audit) to validate whether a firm is consistently compliant with the requirements • A request to clarify information contained in a report pulled from the RCMS where a PSP is an outlier against a relative key performance indicator (KPI) or KPIs. • Information on the steps a PSP has taken to address potential compliance issues or in response to system alerts

Example categories of reasonable requests for information	Examples of information within this category
Information enabling the Bank to manage compliance with the CHAPS reimbursement rules	<ul style="list-style-type: none"> • Data to enable the Bank to undertake random sampling of PSP compliance to enable monitoring against all metrics whether Reporting Standard A or B is in place
Information that enables the Bank to assure itself as to the quality, accuracy and integrity of the data received	<ul style="list-style-type: none"> • A response to queries where the data suggests there is an anomaly or inaccuracy • Evidence that any data accuracy issue has been resolved
Information that enables the Bank to undertake enhanced monitoring of direct PSPs	<ul style="list-style-type: none"> • Information to support random sampling • Timely engagement in communications and bilateral discussions with the Bank, including provision of requested information as part of those processes

Retention of all data and information within the CCDRS

- 4.6** Under Reporting Standard A, we propose that PSPs must collate and retain all data and information contained within the CCDRS, and report this information to the Bank. By this we mean all data under Reporting Standards A and B must be collated and retained, but only data under Reporting Standard A of the CCDRS must also be reported to the Bank. For the avoidance of doubt, we also propose requiring that all information set out within the record keeping section of the CCDRS must also be retained by PSPs.
- 4.7** This is because we propose requiring PSPs to comply with all of the reimbursement requirements from 7 October 2024. It ensures all data and information that the Bank may need to identify potential non-compliance and manage compliance with the CHAPS reimbursement rules is available upon request. The data and information that must be retained is that which we expect PSPs will already be collecting as part of APP scam claim management.

Information and record keeping – proposed timeframes

- 4.8** We propose that data and information collected under this specific direction and contained within the CCDRS must be retained for five years from the date of collection.
- 4.9** This will ensure the Bank can undertake compliance monitoring and any subsequent compliance management activities. It will also ensure that we are able to proceed with any regulatory interventions, which may include formal enforcement activities. We recognise the important principle of only requiring data for the minimum necessary period and have taken that consideration into account when proposing this period.

4.10 We also note that some cases may be complex or the subject of other proceedings and are seeking to ensure that data remains available to support any activities or interventions where this is the case. The proposed period of five years is in line with current Financial Conduct Authority (FCA) record keeping requirements across a number of areas.

Question 7: Do you agree that we should align the information management and record keeping, including the retention period, for CHAPS to what we are proposing in Faster Payments?

Question 8: If you believe that we should have a different approach to information management and record keeping and the retention period, please provide details of the differences.

5 Consultation questions

- 5.1 Question 1:** Do you agree that we should follow a similar approach for CHAPS as we did for Faster Payments in issuing this specific direction?
- 5.2 Question 2:** Do you agree with the proposed function and scope of our specific direction?
- 5.3 Question 3:** Do you agree that we should align the reporting standards between Faster Payments and CHAPS?
- 5.4 Question 4:** If you believe that we should have different data standards, please provide details of the differences.
- 5.5 Question 5:** We are seeking your views on the proposed options, including the relative costs, benefits and timescales. Please indicate if these are the same as your response to question 15 in CP24/3, in which case there is no need to repeat your response here.
- 5.6 Question 6:** Do you agree that we should align the start date of the proposed specific direction with the effective date of the CHAPS reimbursement rules?
- 5.7 Question 7:** Do you agree that we should align the information management and record keeping, including the retention period, for CHAPS to what we are proposing in Faster Payments?
- 5.8 Question 8:** If you believe that we should have a different approach to information management and record keeping and the retention period, please provide details of the differences.
- 5.9 Question 9:** Do you have any comments on the draft Equality Impact Assessment?
- 5.10 Question 10:** Do you have any comments on the draft Cost Benefit Analysis?

Annex 1

DRAFT CHAPS Specific Direction

Specific Direction [X] to PSPs participating in CHAPS, that provide relevant CHAPS accounts, to reimburse CHAPS APP scam payments and comply with the reimbursement rules

Specific Direction [X] (CHAPS APP scam reimbursement requirement)

[DATE 2024]

Specific Direction [X]: CHAPS APP scam reimbursement requirement

1 Recitals

Whereas:

- 1.1** Authorised push payment (APP) scams happen when a person uses a fraudulent or dishonest course of conduct to manipulate, deceive or persuade someone to send money to an account outside of their control.
- 1.2** The Financial Services and Markets Act 2023 (FSMA 2023) amends regulation 90 of the Payment Services Regulations 2017 to provide that it does not affect the liability of a payment service provider (PSP) under a relevant requirement imposed by the PSR where a payment order is executed subsequent to fraud or dishonesty.
- 1.3** The PSR has previously implemented a policy that requires APP scam victims of payments made via Faster Payments to be reimbursed by the sending PSP. This is known as the Faster Payments reimbursement requirement.
- 1.4** Following publication by the PSR of its policy on the Faster Payments reimbursement requirement, the Bank of England (the Bank) announced its intention, as operator of CHAPS, for comparable protections to be implemented for victims of APP scams perpetrated against consumers using CHAPS. To support this, the PSR has decided to create a relevant requirement by giving this specific direction which imposes obligations on in-scope participants in CHAPS. This is known as the CHAPS reimbursement requirement.
- 1.5** The PSR is introducing the CHAPS reimbursement requirement to ensure greater consistency in the reimbursement of APP scam victims across different payment systems.
- 1.6** To ensure the effectiveness of the CHAPS reimbursement requirement, the PSR is also introducing rules which specify the information which PSPs must collect, retain, make available and report to the CHAPS operator. These rules are intended to function in the same way, *mutatis mutandis*, as those rules which operate in respect of participants in Faster Payments.
- 1.7** This information will be specified by the PSR in the CHAPS Compliance Data Reporting Standards (CCDRS). In-scope PSPs must comply with the requirements of this direction, including the requirement to comply with the provisions of the CCDRS.

2 Powers exercised and purpose

- 2.1** CHAPS is designated by the Treasury as a regulated payment system under section 43 of Financial Services (Banking Reform) Act 2013 (FSBRA) for the purposes of Part 5 of FSBRA.
- 2.2** The PSR gives this specific direction in accordance with section 54(1) and (2) of FSBRA. In accordance with section 54(3)(c), this direction applies to persons of a specified description.
- 2.3** In making its decision to use its section 54 powers, the PSR had regard to section 62 of FSBRA (Duty to consider exercise of powers under the Competition Act 1998).
- 2.4** The PSR articulated its policy objectives in respect of the reimbursement of victims of APP scams in PS23/3, *Fighting authorised push payment fraud: a new reimbursement requirement* (June 2023)¹. In particular, the PSR considers that a legal framework is necessary to give effect to reimbursement of victims in order:
- to incentivise the payments industry to invest in fraud prevention, increasing consumer protections so most victims of APP scams are swiftly reimbursed; and
 - to pursue the PSR's long-term ambition for the operator of payment systems to tackle fraud by improving the rules by which those payment systems operate.
- 2.5** Following the PSR's publication of this policy position, the Bank of England announced its intention, as operator of CHAPS, for comparable protections to be implemented for victims of APP scams perpetrated using CHAPS. The PSR further set out its rationale in respect of the reimbursement of victims of APP scams over CHAPS in Chapter 3 of the consultation paper.
- 2.6** The PSR issues the present specific direction to support implementation of reimbursement rules in respect of CHAPS.
- 2.7** To achieve these objectives, and to assist in the monitoring of compliance with this CHAPS reimbursement requirement, the PSR is issuing CCDRS. All in-scope PSPs must comply with the CHAPS reimbursement requirement, the CHAPS reimbursement rules, and any requirements imposed in the CCDRS. PSPs must also have regard to any other guidance and/or standards issued by the PSR as regards compliance with the reimbursement requirement.

Direction

NOW the PSR gives the following specific direction to all PSPs participating in CHAPS that provide relevant accounts.

3 The reimbursement requirement

The CHAPS reimbursement requirement

- 3.1** When a victim reports a reimbursable CHAPS APP scam payment to their sending PSP, the sending PSP must reimburse the victim in full. This is the CHAPS reimbursement requirement.

The scope of the CHAPS reimbursement requirement

- 3.2** The CHAPS reimbursement requirement applies to all reimbursable CHAPS APP scam payments executed after the implementation date. The implementation date is 7 October 2024.
- 3.3** This specific direction applies to all directed PSPs, whether or not they are CHAPS direct participants, insofar as they provide a relevant CHAPS account.
- 3.4** The CHAPS reimbursement requirement applies, *mutatis mutandis*, in line with the exceptions and additional provisions set out in the CHAPS reimbursement rules. These exceptions and provisions shall be applied in respect of the CHAPS reimbursement requirement subject to any specific definitions or requirements which are applicable in the context of that requirement.
- 3.5** If a sending PSP fails to reimburse a victim as required by the CHAPS reimbursement requirement and CHAPS reimbursement rules, the victim is entitled to seek redress pursuant to these and recover the outstanding amount from the sending PSP in the civil courts.

4 Requirement to comply with the CHAPS reimbursement rules

- 4.1** From 7 October 2024, all directed PSPs, whether or not they are CHAPS direct participants, must comply with the CHAPS reimbursement rules.

5 Directed PSPs to inform consumers of their rights

- 5.1** By 7 October 2024, all directed PSPs, whether or not they are CHAPS direct participants, must have informed their existing consumers of their rights under the CHAPS reimbursement requirement and reimbursement rules.
- 5.2** From 7 October 2024, all directed PSPs, whether or not they are CHAPS direct participants, must have arrangements in place to inform any new consumers of their rights under the CHAPS reimbursement requirement and reimbursement rules, at the latest by the time they provide those new consumers with their services.
- 5.3** Consumers must be informed in the same manner in which the PSP would notify their consumers of changes to the way in which they provide their services.

6 Indirect access providers to provide information about their indirect PSP customers

- 6.1** By 31 March 2025, and annually thereafter, all indirect access providers must give the PSR a complete list of all of their indirect PSP customers for the previous calendar year.
- 6.2** The PSR may specify in guidance additional requirements for the format and content of the list mentioned in paragraph 5.1.
- 6.3** By 30 April 2025, and monthly thereafter, all indirect access providers must give the PSR an update containing any changes to the list they provide under paragraph 5.1. They do not need to provide a report for months where there are no changes since the previous report.
- 6.4** This direction should be read alongside, and interpreted consistently with, any other relevant directions or requirements issued under sections 54 or 55 of FSBRA.

7 PSP information obligations

Overarching duties

- 7.1** All directed PSPs, whether or not they are CHAPS direct participants, must register in line with the requirements of the CHAPS reimbursement rules. This paragraph does not apply to those directed PSPs which are directed PSPs for the purposes of Specific Direction 20 (Faster Payments APP scams reimbursement requirement).
- 7.2** Registration requires directed PSPs to provide the information specified by the CHAPS operator in its CHAPS rules, in the manner established in the CHAPS rules.

7.3 The obligation at paragraph 6.1 applies as follows:

- a. For directed PSPs participating in CHAPS and that provide relevant accounts at the time when this direction is given, paragraph 8.a must be complied with by 7 October 2024.
- b. For directed PSPs which begin to participate in CHAPS and provide relevant accounts at any date after this direction is given, and while it continues in force, paragraph 6.1 must be complied with before that PSP sends or receives live transactions using CHAPS.

7.4 From 7 October 2024, all directed PSPs, whether or not they are CHAPS direct participants, must:

- a. Collate and retain for a period of five years:
 - i. the information identified in the PSR's CCDRS respect of CHAPS APP scam reimbursement claims
 - ii. information relevant to the CHAPS APP scam claims which is necessary to enable the CHAPS operator to undertake compliance monitoring activities other than that covered by paragraph 6.4.a.1. This includes any information which has been requested by the CHAPS operator by paragraph 6.4.d
- b. provide the information specified in the CCDRS in line with the processes set out by the Bank as the operator of CHAPS
- c. take appropriate and reasonable steps to assure themselves of the accuracy of any information provided, in the manner required by the CHAPS operator and set out in the CHAPS reimbursement rules pursuant to this direction, before it is provided
- d. provide timely, complete and accurate responses to reasonable and proportionate requests for information from the CHAPS operator in order to enable it to undertake its compliance monitoring activities

7.5 For the purposes of paragraph 6.4.d, the CHAPS operator may determine a time frame within which a timely, complete and accurate response must be provided.

7.6 A reasonable and proportionate request for information by the CHAPS operator is one which is appropriately scoped having regard to the time frame set for the response, and may include, but is not limited to requests that:

- a. Enable the CHAPS operator to monitor and ensure compliance with the CHAPS reimbursement rules
- b. relate to the CHAPS operator's role in monitoring, and assuring the quality, accuracy, completeness and integrity of the information received
- c. enable the CHAPS operator to undertake enhanced monitoring in response to any potential compliance issues identified

- 7.7** Directed PSPs must ensure that any information collated, retained or provided pursuant to this direction (or any other requirement or direction imposed further to the CHAPS reimbursement requirement) is retained in a manner which is secure.

8 PSPs' reporting obligations

- 8.1** All directed PSPs, whether or not they are CHAPS direct participants, must comply with the reporting requirements specified in this section. These requirements will be phased in to allow time for new systems to be established and implemented.
- 8.2** All directed PSPs, whether or not they are CHAPS direct participants, must comply with the obligations set out in the PSR's CCDRS, as may be amended by the PSR from time to time.
- 8.3** Changes to the CCDRS will come into effect no sooner than 30 days after being confirmed on the PSR's website.

Reporting standards

- 8.4** The PSR hereby establishes two different reporting standards, pursuant to which information must be collated, retained and provided by PSPs as set out by the CHAPS operator in accordance with this direction. These are referred to as reporting standard A and reporting standard B.
- 8.5** All directed PSPs must collate and retain any and all information falling within the scope of reporting standard A or reporting standard B, in line with the requirements specified in 6.4 to 6.7 of this direction.

Reporting standard A

- 8.6** All directed PSPs, whether or not they are CHAPS direct participants, must comply with reporting standard A from 7 October 2024.
- 8.7** The PSR shall set out the information which PSPs must report in line with the processes set out by the CHAPS operator pursuant to reporting standard A in the CCDRS.
- 8.8** All PSPs must report, in line with the processes set out by the CHAPS operator, any information falling within the scope of reporting standard A set out within the CCDRS as follows:
- a. Each report must cover all cases closed in the reporting period
 - b. The first report is required to be submitted on 2 January 2025 to cover a reporting period of 7 October 2024 to 30 November 2024
 - c. Each subsequent report shall cover one month (the 'reporting period')

d. Each subsequent report is due by close of business on the last business day of the month after each reporting period

8.9 The method by which information must be reported to the CHAPS operator under reporting standard A will be set out by the CHAPS operator in its rules.

8.10 For the avoidance of doubt, where a PSP has not received any CHAPS APP scam claims in any reporting period, they are not obliged to submit a nil return.

8.11 All directed PSPs shall comply with reporting standard A until 30 April 2025, subject to the arrangements for new market participants set out in paragraph 7.15 and the contingency arrangements set out in paragraph 7.16.

Reporting standard B

8.12 All directed PSPs, whether or not they are CHAPS direct participants, must comply with reporting standard B from 1 May 2025, subject to the arrangements for new market participants set out in paragraph 7.15 and the contingency arrangements set out in paragraph 7.16.

8.13 The PSR shall set out the information which PSPs must make available in line with the processes set out by the CHAPS operator pursuant to reporting standard B in the CCDRS.

8.14 All PSPs must take the necessary steps to ensure that any information identified as falling within the scope of reporting standard B is available to the CHAPS operator in line with the processes set out in the CHAPS reimbursement rules.

Reporting – contingency arrangements

8.15 Any new market entrant that falls within the scope of the policy must comply with reporting standard A for the remainder of the month in which they register with the CHAPS operator and the following month. Such new entrants must report to the CHAPS operator the month following that reporting period.

8.16 The following contingency arrangements shall apply:

- a. In the event that the CHAPS operator's required reporting system is not available to a directed PSP in respect of its reporting obligations for 30 days or more, reporting standard A shall apply for the period of unavailability.
- b. Any report under paragraph 7.16.a must cover the entire period for which the CHAPS operator's required reporting system was unavailable:
 - i. If the CHAPS operator's required reporting system is unavailable for a period of less than three months, the reporting period is that period in its entirety. The report must be provided on the last business day of the month following the date at which the CHAPS operator's required reporting system is available again.

- ii. If the CHAPS operator's required reporting system is unavailable for a period of three months or more, the reporting period is as follows:
 - a. Any partial month at the beginning or end of that period together with the next or previous full month;
 - b. Any other month during that period.
- iii. The report for a reporting period which falls within 7.16.b.2 must be provided on the last business day of the month following the reporting period, with the last report to be provided on the last business day of the month following the date at which the CHAPS operator's required reporting system is available again.
- c. In the event that a directed PSP is notified by the CHAPS operator that the CHAPS operator's required reporting system is not available, and that period is less than 30 days, reporting must be undertaken using the method specified by the CHAPS operator in its CHAPS reimbursement rules.
- d. In the event that a directed PSP is unable to access the CHAPS operator's required reporting system but has not been made aware that the CHAPS operator's required reporting system is unavailable, by the CHAPS operator, the PSP must contact the CHAPS operator by the means the operator has specified in its rules, to ascertain the cause of the issue and by what means they must comply with the requirements set out in this direction.

9 Application

- 9.1** This specific direction applies to all PSPs, whether or not they are CHAPS direct participants, that provide relevant accounts.

10 Commencement, and duration and review

- 10.1** This specific direction comes into force on 7 October 2024.
- 10.2** This specific direction will continue in force until such time as it is varied or revoked by the PSR.
- 10.3** The provisions of this direction may, from time to time, be subject to review by the PSR. This may include circumstances where the CHAPS Reference Manual or the CHAPS reimbursement rules are revised by the CHAPS operator.

11 Citation

- 11.1** This direction may be cited as Specific Direction [X] (*CHAPS APP scam reimbursement requirement*).

12 Interpretation

12.1 The headings and titles used in this specific direction are for convenience and have no legal effect.

12.2 The Interpretation Act 1978 applies to this specific direction as if it were an Act of Parliament, except where words and expressions are expressly defined.

12.3 References to any statute or statutory provisions must be construed as references to that statute or statutory provision as amended, re-enacted or modified, whether by statute or otherwise.

12.4 The following definitions apply in this specific direction:

- **Account controlled by the consumer** means a relevant account that a consumer can access and make payments from. It is not sufficient for it to be in the consumer's name.
- **Authorised push payment (APP)** means a consumer payment initiated by the sending PSP in accordance with an authorisation given by its consumer.
- **APP scam (authorised push payment scam)** means where a person uses a fraudulent or dishonest act or course of conduct to manipulate, deceive or persuade a consumer into transferring funds from the consumer's relevant account to a relevant account not controlled by the consumer, where:
 - the recipient is not who the consumer intended to pay, or
 - the payment is not for the purpose the consumer intended

For the avoidance of doubt, if the consumer is party to the fraud or dishonesty, this is not an APP scam for the purpose of the CHAPS reimbursement requirement, or the CHAPS reimbursement rules.

- **Authorisation**, for the purposes of this direction, in the context of a payment, means that the payer has given their explicit consent to:
 - the execution of the payment transaction, or
 - the execution of a series of payment transactions of which that payment transaction forms part
- **Business day**, for the purposes of this direction, means any day (period of 24 hours beginning at midnight) that is not a Saturday or Sunday, or a bank or public holiday in any part of the United Kingdom.
- **CHAPS** means the regulated payment system designated by Order from the Treasury on 1 April 2015.

- **CHAPS APP scam claim** means one or more CHAPS APP scam payments made as part of an APP scam and made to the victim's PSP.
- **CHAPS APP scam payment**, for the purposes of this direction, means an APP, authorised by a victim as part of an APP scam, that has all the following features:
 1. It is executed through CHAPS using a PACS 008 message.
 2. It is authorised by a PSP's consumer.
 3. It is executed by that PSP in the UK.
 4. The payment is received in a relevant account in the UK that is not controlled by the consumer.
 5. The payment is not to the recipient the consumer intended or is not for the purpose the consumer intended.
- **CHAPS Compliance Data Reporting Standards (CCDRS)** means the document produced and published by the PSR, as may be amended from time to time, that sets out the specific data that PSPs must collate, retain and provide to the CHAPS operator.
- **CHAPS direct participant** means an entity that satisfies the CHAPS system access criteria as specified in the CHAPS Reference Manual and is admitted to participation in the CHAPS system by entering into a CHAPS Participation Agreement with the Bank.
- **CHAPS operator** means the Bank of England as the operator of CHAPS.
- **CHAPS Reference Manual** is published by the Bank of England on its website, as amended from time to time. It sets out obligations for direct participants and describes key elements of the CHAPS system's design, operations, risks and controls. The CHAPS Reference Manual forms a core part of the legal basis for the Bank's operation of CHAPS and aims to provide a clear and comprehensive description of the rules, requirements and key procedures.
- **CHAPS reimbursement requirement** means the obligation conferred on directed PSPs under paragraph 3.1 of this specific direction.
- **CHAPS reimbursement rules** means any rules concerning the CHAPS reimbursement requirement as set out in an annex to the CHAPS Reference Manual.
- **Consumer**, for the purposes of this direction, refers to service users of PSPs. These are individuals, micro-enterprises (an enterprise that employs fewer than ten persons and that has either an annual turnover or annual balance sheet total that does not exceed €2 million) or charities (a body whose annual income is less than £1 million per year and is a charity as defined by the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 or the Charities Act (Northern Ireland) 2008).
- **Directed PSP** means a PSP participating in CHAPS to which this specific direction applies. For the avoidance of doubt, for the purposes of this specific direction, this

means a PSP that provides a relevant CHAPS account, whether or not that PSP is itself a CHAPS direct participant.

- **Faster Payments** or **FPS** means the Faster Payments Scheme, a regulated payment system designated by Order from the Treasury on 1 April 2015.
- **Indirect access provider** means a PSP with access to CHAPS that has an agreement or arrangements with another person for the purposes of enabling that other person (the 'indirect PSP customer') to provide services for the purposes of enabling the transfer of funds using CHAPS or to become a PSP in relation to CHAPS. For the avoidance of doubt, an indirect access provider does not have to be a CHAPS direct participant. Indirect PSPs can themselves provide indirect access (sometimes called a 'nested' access arrangement).
- **Information**, for the purposes of this direction, includes any information or data that may be required by either the PSR for the purposes of monitoring compliance with this direction or any other relevant regulatory requirement or the CHAPS operator in connection with monitoring and/or enforcing compliance with Annex A of the CHAPS Reference Manual.
- **Operator** has the same meaning as under section 42(3) of FSBRA.
- **Participant** has the same meaning as under section 42(2) of FSBRA.
- **Payment system** has the same meaning as under section 41(1) of FSBRA.
- **Payment Systems Regulator (PSR)** is the body corporate established under section 40 of FSBRA.
- **Payment service provider (PSP)** has the same meaning as under section 42(5) of FSBRA.
- **Reimbursable CHAPS APP scam payment** means a CHAPS APP scam payment where the consumer standard of caution exception does not apply, the victim is not party to the fraud or claiming fraudulently or dishonestly to have been defrauded, and the claim was made within the time limit set out in the CHAPS reimbursement rules.
- **Relevant CHAPS account** means an account that is provided to a service user, is held in the UK and can send or receive payments using CHAPS, but excludes accounts provided by credit unions, municipal banks, financial market infrastructures (FMIs) and national savings banks.
- **Required reporting system** is the system for reporting information as required in the CCDRS under Reporting Standard B, which is specified in the CHAPS Reference Manual.
- **Retain** means to keep information for the period specified, in a readily accessible electronic format where possible.
- **Sending PSP** means a PSP that provides a relevant account for a consumer, from which one or more CHAPS APP scam payments were made.

- **Service user** means a person who uses a service provided by a payment system and is not a participant in that payment system.
- **Victim** means a consumer who has made one or more CHAPS APP scam payments.
- **Vulnerable consumer** has the same meaning as when the term is used by the FCA in its *Guidance for firms on the fair treatment of vulnerable customers*² – namely, a vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care.

Made on DATE 2024

Chris Hemsley
Managing Director
Payment Systems Regulator

Status of directions

Directions give rise to binding obligations. Breaching a requirement of a direction is a compliance failure that makes a party liable to regulatory sanction.

Annex 2:

Equality Impact Assessment

In line with our Public Sector Equality Duty (PSED) under the Equality Act 2010, we have assessed the likely equality impacts for the measures we are proposing and consulting on.

We are consulting on this policy and will consider any responses we receive with respect to any potential impacts on specific groups.

Approach to PSED assessment

- 2.1** In developing and consulting on the measures in this document, we have considered the matters set out in section 149 of the Equality Act 2010 (the Public Sector Equality Duty). This requires us to consider the impact of our measures on the public regarding their protected characteristics, which are:
- Age
 - Disability
 - Gender reassignment
 - Pregnancy and maternity
 - Race
 - Religion or belief
 - Sex
 - Sexual orientation
 - Marital status
- 2.2** Our measures aim to protect consumers who fall victim to APP scams, by providing reimbursement. As a result of the new reimbursement requirement, we expect increased efforts by PSPs to prevent APP scams. Therefore, there should be fewer victims of APP scams across all demographics, and this would be a positive impact for all consumers.
- 2.3** In developing our policy, we have taken account of the interests of vulnerable customers, who are more at risk of falling victim to APP scams. The FCA's definition of a 'vulnerable customer' is 'someone who, due to their personal circumstances, is especially susceptible to harm – particularly when a firm is not acting with appropriate levels of care', and we consider this definition is appropriate for APP scams. Those considered to be vulnerable will be exempt from the consumer standard of caution exception and the claim excess levied on reimbursements.

- 2.4** Data from the Victims Commissioner⁹ tells us that those classed as vulnerable are more likely to be older, female, and from a minority ethnic background, particularly Asian. The exceptions we have put in place as part of the policy ensure that these groups are not disproportionately affected.
- 2.5** We are consulting on these proposals, and throughout this consultation and policy development we will make sure to consider how certain groups may be more negatively impacted than others. We have looked at data from the Victims Commissioner¹⁰ and the FCA financial lives survey¹¹, and will consider responses to our consultation to help inform our decisions.
- 2.6** Overall, we expect our proposals to have a positive impact on consumers who use CHAPS, including those with protected characteristics – because the measures should reduce the risk of consumers becoming victims of APP scams and increase the likelihood of reimbursement if they do. Since vulnerable consumers are more at risk of falling victim to APP scams¹², and because there is significant overlap between vulnerable consumers and those with certain protected characteristics, we consider that our proposals will contribute to advancing equality of opportunity.

The equality objectives

Remove or minimise disadvantages suffered by people due to their protected characteristics

- 2.7** We have assessed that there are no groups that will be specifically disadvantaged by these measures. The aims of the policy are to ensure that all victims of APP scams, apart from those who act with gross negligence, will be reimbursed their stolen funds. This, in turn, will encourage PSPs to increase their efforts to prevent APP scams in the future. This is a net positive for all victims and does not disadvantage specific groups. We also made sure to protect the most vulnerable by exempting them from the consumer standard of caution exception and the claim excess entirely. This will ensure that groups who are at higher risk of APP scams are not protected to a lesser extent than other groups.

Take steps to meet the needs of people from protected groups where these are different from the needs of other people

- 2.8** We have made sure that vulnerable consumers will be exempt from both any excess being levied and the consumer standard of caution reimbursement exception. Victims Commissioner data tells us that these vulnerable groups are more likely to be female, older, and from a minority ethnic background, especially Asian. The exceptions we have put in place will ensure that these groups are not negatively affected by our policy and will enjoy the same protections and reimbursement as other groups.

9 <https://victimscommissioner.org.uk/document/who-suffers-fraud-understanding-the-fraud-victim-landscape/>

10 <https://victimscommissioner.org.uk/document/who-suffers-fraud-understanding-the-fraud-victim-landscape/>

11 <https://www.fca.org.uk/data/financial-lives-2022-early-survey-insights-vulnerability-financial-resilience>

12 <https://www.fca.org.uk/data/financial-lives-2022-early-survey-insights-vulnerability-financial-resilience;>
<https://victimscommissioner.org.uk/document/who-suffers-fraud-understanding-the-fraud-victim-landscape/>

- 2.9** The new Consumer Duty on firms, which the FCA is implementing, will require PSPs to focus on the real and diverse needs of their customers, including those in vulnerable circumstances, at every stage and in each interaction. In its guidance on vulnerable customers, the FCA says PSPs should consider both the potential positive and negative impacts of their products or services on vulnerable consumers. We would expect PSPs to carefully consider their obligations under the Consumer Duty and FCA guidance when implementing this policy.

Encourage people from protected groups to participate in public life or in other activities where their participation is disproportionately low

- 2.10** There is limited evidence of how our policy will impact this area. However, it is possible that a decrease in the number of successful APP scams will help to inspire greater confidence in the banking system among some consumers and encourage them to take advantage of more products and services that could be of benefit to them.

Equality risks and mitigations

'De-banking'

- 2.11** There is a risk that some vulnerable consumers could be 'de-banked' by PSPs if they are perceived to be at too high a risk of becoming a victim of APP fraud. This is something that we will monitor and consider as part of the post-implementation review. To further mitigate this risk, we will make it clear to PSPs in any decision to implement our proposed measures that they must ensure that the needs of people with disabilities, the elderly and other groups who may be vulnerable are met. For example, we will make it clear that consumers who are more at risk of becoming victims should not be refused or denied payment services to reduce numbers of APP scams. We expect PSPs to continue to treat all current and prospective customers, including vulnerable consumers, fairly and according to their obligations in the Equality Act 2010. Complete de-banking is unlikely to be a step that PSPs take, but partial denial of some services is a possibility. This is something we will monitor and assess whether this is happening. We will make it clear that we do not consider denial of services to be the correct anti-fraud measure to put in place to prevent APP scams.

Groups being disproportionately impacted by 'stop the clock' measures or 'gross negligence' rejections

- 2.12** We will monitor and consider this as part of the ongoing monitoring of the policy. Should it become clear that certain groups are being negatively affected at a high rate, we would expect PSPs to take action to stop this from happening.

Increased consumer reluctance to use payment services

- 2.13** There is a risk that vulnerable consumers may reduce or cease their use of payment services because of greater awareness and fear of the risks of fraud arising from increased warnings and other scam prevention activity by their PSPs.
- 2.14** We would expect that this risk would be mitigated to the extent that consumers would also acquire greater awareness of their rights to mandatory reimbursement if they did fall victim to an APP scam. We also consider that, to the extent that our proposals led to fewer APP scams, this would have a mitigating impact on fear of fraud. We therefore do not consider that we would need to take any further mitigating action. We would expect PSPs to make their customers, including vulnerable customers, aware of the measures that they are taking to reduce APP scams as well as their customers' rights to reimbursement if they fall victim.

Excess driving excessive caution

- 2.15** There is a risk that any excess may cause some consumers to become overly cautious with transactions for fear of losing the excess amount, even when the payment is legitimate. While this may occur, had our policy not been in place, the risk for many consumers would have been a total loss of funds with no reimbursement, so the measures we are putting in place should reduce caution and increase confidence in the payment system. Some PSPs did voluntarily apply Contingent Reimbursement Model (CRM) Code protections with no excess levied, but the reimbursement rate was far lower than we expect to see once this policy is implemented. So while some individual consumers may now pay an excess where they wouldn't previously, a greater number of consumers will be reimbursed. The excess also remains voluntary for PSPs to introduce, and they are free not to levy it should they choose.

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