

24 May 2024

Dear Participant,

In December last year, we published the final details of our mandatory FPS APP scams reimbursement policy, encompassing all Payment Service Providers (PSPs) that send or receive payments over the Faster Payments System (FPS). We are also working with the Bank of England to establish equivalent protections for CHAPS, and on 8 May we issued our [consultation](#) on directing firms to comply with the CHAPS reimbursement requirement.

This is a significant change in industry rules that requires all payment firms with customers making use of FPS and/or CHAPS to take action.

The policy, which comes into effect on 7 October, is a step change in fraud prevention and will see all in-scope consumers who fall victim to APP scams reimbursed in most cases. It will also see clear financial incentives on sending and receiving firms, to do more to prevent scams and improve consumer protections, leading to increased confidence in the Faster Payments System.

We know that many of you are taking steps to improve end-to-end fraud prevention and are working with Pay.UK on the implementation of the reimbursement requirement. This is a significant step forward and we are encouraged by all of the work and progress in tackling APP fraud. We see this as a strong indicator that ensuring incentives are aligned between firms and supports positive change in the industry. We are also mindful of the challenges that this poses firms, and we will continue to monitor risks to consumers and industry in the implementation of the requirements.

We know this is an ambitious approach to tackling fraud, but with less than five months to go, the preparations should now be gathering momentum. **We have set out three key areas for firms to focus their implementation activities over the coming months to ensure effective and timely implementation by 7 October.**

1. Understanding the new reimbursement requirements

All PSPs participating in Faster Payments will need to consider whether the requirements apply to them either as a sending PSP or as a receiving PSP providing a relevant account to a service user. The requirements apply to both direct and indirect participants of the system. All of the information relating to the policy requirements and statutory directions can be found on our [website](#).

We remain committed to supporting industry and ensuring that there is consistent understanding of the policy requirements. We continue to lead an extensive programme of industry engagement. This is ongoing and will include joint sessions with Pay.UK and the Bank of England on implementation and the Financial Ombudsman Service (FOS) who have an important role to play in the interpretation of our policy and consideration of consumer complaints.

To find out more about these sessions or to sign up for the next one, representatives of your firm can visit our APP scams industry engagement [page](#). They can also write to us at

Appscampolicyclarifications@psr.org.uk, requesting clarity on the policy statements and legal instruments.

2. Claim management and data reporting through Pay.UK

Pay.UK has procured a reimbursement claim management system (RCMS). This central system will enable firms to communicate with each other and to manage APP scam claims. It will further allow firms to report data to Pay.UK so it can monitor and manage firms' compliance with its FPS reimbursement rules. Pay.UK has developed a tiered approach to the functionality of the RCMS to support firms onboarding to the system in preparation for 7 October. Firms will have two options:

- RCMS core – this will allow firms to report compliance data and access a directory to support communication between firms from 7 October
- RCMS core and claim management – this will provide access to the core system and the claims management system

Pay.UK has been supported by industry to ensure that there is capacity and capability within existing claim management systems to play a part in supporting firm readiness on 7 October and transition to the RCMS. We would like to take this opportunity to recognise the efforts of all parties to ensure there are sufficient systems and processes in place from Day 1 to support effective implementation of the reimbursement requirement.

If you have not done so already, you will need to register with Pay.UK as soon as possible (and at the latest by 20 August) to facilitate Pay.UK creating a directory of firms' contact details and putting in place the onboarding arrangements for you to meet your obligations from the policy start date.

We also encourage you to attend Pay.UK's engagement sessions, where they share further information about the steps firms will need to take to get ready. Further information about their work is available on their website APP (Authorised Push Payment) Reimbursement Policy - Pay.UK (wearepay.uk) and you can contact Pay.UK directly at appreimbursement@wearepay.uk.

3. Consumer awareness

Firms will need to be transparent in communicating the reimbursement requirements to consumers and take proactive steps to notify them of the protections available under the new reimbursement requirement. This is important to build trust and confidence in the system.

To support this, we have recently consulted on a proposed change to specific direction 20, as part of our [consultation](#) on compliance and monitoring to require PSPs to notify their consumers about the reimbursement requirement. We would welcome your views by 28 May. Firms should also consider how consumers will be able to report fraud, and to make the process as simple and accessible as possible, taking into account the needs of vulnerable consumers.

Improving fraud prevention

We are focussed on putting in place incentives to prevent as much of this fraud as we can from arising in payment systems in the first place. We are changing the system, the use of data and rules so that we can reduce APP fraud. We do this alongside our colleagues at the FCA who are equally focussed on fraud. However we do recognise the significant challenge this poses to firms in managing the risks to their customers and the resulting potential liability from protecting them from this harm.

In February this year, the FCA set out areas of focus where further collaborative effort can help shift the dial.

This includes:

- Reviewing systems and controls to ensure they keep up with the increasing sophistication of criminal groups and advances in technologies
- Improving data sharing and collaboration to have a more informed view of fraud threats
- Increasing consumer awareness of the fraud risks relevant to the business firms do with them, to support and educate customers on how to spot the signs of fraud.
- Measurement of the effectiveness of prevention measures to allow firms to be clear on the impact of their interventions.

The FCA has published key findings from reviews of firms' systems and controls against money mule activity as well as findings from a review of how firms mitigate the risks of APP fraud. Both of these publications¹ gave examples of good practice and areas for improvement by PSPs.

We consider that taking these steps – as set out by the FCA – can significantly improve systems and processes to support fraud prevention and detection efforts. It will also minimise the impact of the reimbursement requirements by putting in place better controls. This can include strengthening controls during onboarding, improving transaction monitoring to detect suspicious activity, and optimising reporting mechanisms for swift action². In addition, if a PSP considers a suspicious payment order for further investigation, it can refuse to execute the payment order where its terms and conditions have not been met, or where the execution of the payment would be unlawful, under regulation 82 of the Payment Services Regulations 2017, as the FCA's published guidance indicates.

To support PSP's fraud prevention efforts, HM Treasury is also legislating to introduce greater flexibility around payment delays, where there are reasonable grounds to suspect fraud or dishonesty, and more time is needed to contact the customer or relevant third parties.

In October last year, we published our first [fraud performance data](#), which set out how firms had managed APP scam risks and we will continue to publish this on an annual basis (while looking at how to extend this transparency into fraud origination, for example in telecoms and social media). We have also committed to undertaking additional monitoring of the incidence and impact of high value claims before the implementation date. We are currently gathering data and information from PSPs, covering transactions between January 2023 and May 2024. This will allow us time to

¹ [FCA Reducing and preventing financial crime](#) and [FCA Anti-fraud controls and complaint handling in firms \(with a focus on APP Fraud\)](#)

² [FCA Proceeds of fraud - Detecting and preventing money mules](#)



assess, analyse and act on the information before the go-live date of 7 October, and to share key findings with firms so that they can take action to manage these risks effectively.

We look forward to continuing to engage with your firm in the lead up to 7 October, to ensure readiness, so that consumers can benefit from this new framework.

You do not need to respond to this letter. These requirements are coming, backed by legal directions from the PSR. You need to take steps now to protect customers and manage your risks appropriately. We will continue to support this transition, which will move us to a safer payment ecosystem, which itself supports competition and delivers for people and businesses.

A handwritten signature in black ink, appearing to read 'Hemsley'.

Chris Hemsley
Managing Director – Payment Systems Regulator