The Right Hon. Baroness Nicky Morgan of Cotes
Chair of the Fraud Act 2006 and Digital Fraud Committee
House of Lords
London
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10 November 2022

Dear Lady Morgan of Cotes

It was a pleasure to appear before the Fraud Act 2006 and Digital Fraud Committee in May to talk about our work on tackling Authorised Push Payments (APP scams).

I wanted to ensure that you and the Committee were kept up to date on our continued focus on the prevention of and on the protections available to victims of APP scams. Since providing evidence to the Committee, we have been working closely with HMT to remove the legislative barriers that prevent the PSR from taking further direct action against APP fraud. We welcome the provisions in the Financial Services and Markets Bill that would allow us to take further action.

We have already begun the work in preparation for this legislative change, so that we will be able to make use of these powers as soon as they are available. Last month, we opened our latest consultation on a package of proposals that would introduce rules into Faster Payments to make it work more effectively and stop these frauds from happening in the first place.

We set out how we expect the payments industry to change the way it manages APP scams, our proposals include:

- Requiring reimbursement in all but exceptional cases – so more victims will get their money back.
- Improve the level of protection for APP scam victims – so there is greater consistency in protections for all victims, irrespective of who they bank with.
- Incentivise banks and building societies to prevent APP scams – because responsibility for allowing fraudulent payments is the responsibility of both the sending and receiving banks or building societies.

We want to see the requirements for mandatory reimbursement in place for victims as soon as possible. The need for consumer responsibility remains and they will still need to take caution when sending payments. Our proposed measures will, however, mean that most of their larger payments will be automatically protected. Our proposals are also expected to shift the way industry carries out fraud prevention. For example, we might expect consumers to see their account providers stepping in more regularly to prevent fraud, as is seen today with card payments. We also expect to see much more active management of fraud risks associated with receiving accounts.

We continue to work with Pay.UK - the operator of the Faster Payments system - and the industry to make sure its requirements can be implemented quickly after legislation is passed. In the meantime, we expect banks and building societies to continue to develop their fraud detection and prevention arrangements to respond to the ongoing risk of fraud to their customers.

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In addition to preparing to act as soon as we are given the necessary powers, we are also leading on a wider set of changes that would:

- Lead to the publication of data on how well firms are protecting customers from summer 2023.
- Continue towards the widespread rollout of Confirmation of Payee – the name checking service designed to help prevent APP scams and misdirected payments. This would see coverage of this service rise from around 90% of transactions to almost all payments made by FPS and CHAPS.
- Support and encourage improved intelligence sharing to spot fraudulent transactions and stop them from happening.

I would welcome the opportunity to talk with you about this work or the PSR work on general. Alternatively, my team would be very happy to update the Committee clerks or offer support or advice on payment related matters relevant to your report.

I look forward to hearing from you.

Yours sincerely

Hemsley

Chris Hemsley
Managing Director
Payment Systems Regulator