

Harriett Baldwin MP  
Chair of the TSC Sub-Committee on Financial Services Regulations  
House of Commons  
Committee Office  
London  
SW1A 0AA

24 March 2023

Dear Harriett

I am writing in response to the Treasury Select Committee's report, *Scams reimbursement: pushing for a better solution*, published on 6 February 2023. I thank the Committee for taking the time to review our consultation CP22/4, *Authorised push payment (APP) scams: requiring reimbursement*.

We are pleased that the Committee supports our proposal around reimbursement in principle. While we finalise our policy development, we are not able to address all your points or questions. I hope the Committee will understand that we need to follow our governance and processes and the limitation this brings at this stage. Our policy statement in late May will provide a comprehensive response to all the views provided to us including the points in the Committee's report. In the meantime, I can provide context to our proposals and why we are considering using section 55 of FSBRA.

Our five-year [Strategy](#) sets out our plan to give Pay.UK a stronger role in leading the development of consumer protections. Our strategic priorities will ensure that people and businesses are sufficiently protected when using the UK's payment systems and promote competition between payment systems. I am pleased to report that our Strategy received widespread support from across industry and from other stakeholders.

In our September consultation on APP scams reimbursement, we stated that we want Pay.UK to make, maintain and enforce comprehensive and effective scheme rules that address the risks to consumers using Faster Payments. Putting the requirements in the scheme rules would allow Pay.UK to revise and evolve the rules in an agile way in response to the continuously changing fraud threat. We also recognised some current constraints and other priorities for Pay.UK and consulted on alternative options for the implementation of some elements of our requirements in the short term. We are weighing up these options in our consideration of all the responses to our consultation.

We said that we consider the most effective way for us to achieve the necessary changes to scheme rules is to exercise our powers under section 55 of FSBRA and we note your concerns that Pay.UK, its guarantors or other PSPs could delay implementation. Section 55 of FSBRA allows us to require the operator of a designated payment system to amend rules for the operation of the system. That means that, if we proceed with the approach of implementing (some or all) requirements through Faster Payments scheme rules, Pay.UK would be required, under direction, to put the new rules in place within a timeframe we set. Failure to do so would put it in breach of a regulatory requirement, which we have a range of powers to enforce against. We have previously given formal directions to all the payment system operators we regulate and have taken enforcement action against a number of firms for non-compliance with their regulatory obligations, including for breaches of directions.



We look forward to keeping the Sub-Committee on Financial Services Regulations regularly updated on all our measures to help prevent fraud and protect consumers.

Yours sincerely

A handwritten signature in black ink that reads 'Hemsley'.

Chris Hemsley  
Managing Director