

Dame Harriett Baldwin MP
Chair Treasury Select Committee
House of Commons
London
SW1A 00A

16 May 2024

Dear DAME HARRIETT,

Pay.UK is an independent, not-for-profit organisation that stands as the backbone of the UK's payment systems. We are responsible for providing safe and efficient payment infrastructures that are resilient to the evolving threat of fraud.

Fraud, as we discussed when we met on 7 March, is Pay.UK's number one priority. We are uniquely positioned with a more extensive view than any other single organisation in detecting and preventing fraud, and we recognise the responsibility of our role to ensure the integrity and security of the UK's payment systems for all end users. We are also the only organisation that sees all the data to identify a fraudulent transaction in the milliseconds it takes to travel between banks or building societies, enabling us to take a whole-of-market approach and protect people no matter who they bank with. We are calling for more data sharing between payment providers to help combat fraud.

Our role is to design, operate, and continually innovate the UK's interbank retail payment systems to ensure they are secure and resilient. We process £9.5 trillion across 11.5 billion transactions each year, but our mission extends beyond facilitating payments; we aim to reduce harm and contribute positively to the UK and our economy through robust fraud prevention measures. By preventing fraud, we can disrupt harmful activities and create a safer environment for everyone.

At Pay.UK, we understand that every secure transaction matters. It's not just about moving money, it's about maintaining trust in our financial systems, and most importantly, protecting and working for end users.

Our commitment to security is not limited to a single point in time but spans the entire transaction lifecycle. We have a proactive role before fraud occurs, through Confirmation of Payee (CoP), during the transaction with fraud detection, and even after a fraudulent incident occurs, by facilitating the authorised push payment (APP) fraud reimbursement regime, which will be ready in October 2024 – I

am writing today to provide an update on Pay.UK's progress towards the implementation of APP fraud reimbursement for payments made over the Faster Payment System.

Since December 2023 we have been working with our customers to deliver new Faster Payment rules and a compliance monitoring regime. Aligning with the directives from the PSR we have been working towards:

- Inserting APP scam reimbursement rules into the Faster Payment scheme rules to require the reimbursement of victims of APP fraud by **7 June 2024** as set out in the PSR's requirement
- Creating plans for an effective data reporting and compliance monitoring regime for APP reimbursement **from 7 October 2024**

The PSR also directed payment service providers to reimburse consumers who were victims of APP fraud, and to comply with the Faster Payment System reimbursement rules.

We have an extensive programme of engagement to support the onboarding of a significant number of customers, as the PSR's direction relates to circa 900 payment service providers, not just to our 46 direct customers. We have significantly enhanced the capacity and capability across our fraud programme, at both senior and working levels to achieve this. We are working closely with the PSR to ensure our communications are consistent with the PSR's expectations and requirements.

In Q1 2024, we procured a claims management service from Pega. We are currently working with Pega to configure the service to ensure that it meets the reimbursement regime's requirements. It will further allow firms to report data to Pay.UK so we can monitor and manage firms' compliance with the new rules. We are now engaging with payment service providers to prepare for onboarding and testing.

We are on track to publish the rules and compliance monitoring regime by 7 June 2024.

Through our engagement with the industry, feedback on the design has been positive, setting us up for effective implementation. We are also working through issues constructively. We are taking a leading role in balancing the practical concerns of payment service providers with the timely delivery of the regime. Working with the PSR, we have put in place an assurance process, for us to provide regular updates and transparency on our delivery plan, including flagging key risks and issues as they arise.

Pay.UK's system is on track and will be ready to deliver APP fraud reimbursement in October. This system will allow all payment service providers to record and report data on fraudulent transactions. However, we need continuing support from the PSR to ensure the circa 850 non-Pay.UK customers are successfully onboarded and motivated to cooperate with Pay.UK to facilitate the reimbursement of victims as soon as possible. To support this, we have asked the PSR to require the mandated payment service providers to register with Pay.UK and join our scheme.

We will stay engaged with you as we continue delivery and, of course, Mark and I are happy to discuss this further with you. We are also looking forward to our round table on 20 June when we will have the opportunity to discuss with a broader set of stakeholders, including those representing victims of fraud.

Yours sincerely,

A handwritten signature in black ink, appearing to be "DP", with a long horizontal line extending to the right.

David Pitt

CEO