HM Treasury

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Dear Mr Betts,

15th January PAC Hearing – Follow up to question on Confirmation of Payee checks

At the recent PAC hearing on Data Analytics to Detect Fraud and Error, I committed to follow up on your question about why account-name verification, now common in online banking, is not universally required across government payment processes. The process you refer to is Confirmation of Payee (CoP), introduced in 2020. CoP helps prevent fraud and misdirected payments by checking the entered account details against the receiving bank's records and the central CoP register. Provision of CoP is mandatory for all banks and building societies offering Faster Payments (instant payments up to £1m) and CHAPS (large, high-value, same-day payments). These payment types are most associated with Authorised Push Payment (APP) fraud, where the payer actively instructs and authorises a one-off transfer of money to someone else.

By contrast, the Bankers' Automated Clearing System (BACS) allows for bank to bank payments and is the most widely used payment method in government, accounting for over 85% of the value of payments made to recipients outside central government, including payroll and benefits. Managing Public Money (MPM) prescribes BACS as the preferred government payment method reflecting its strong value for money, suitability for high-volume planned disbursements, and the important role it plays in supporting effective cash and liquidity management.

Overall, it is for departmental Accounting Officers to decide which fraud-mitigation measures to use, including whether to procure external validation services – such as CoP-type checks – from accredited providers. They may instead rely on other controls, such as robust supplier onboarding, segregation of duties, exception reporting and post-payment analytics, where these provide sufficient assurance. As the value for money of different checks varies by payment type, volume and risk, departments must decide, within the framework of MPM, how best to balance fraud risk, operational burden and cost.

While CoP type checks are used in some parts of government, for example in certain transactions within HMRC, the extent of its use across government is not quantified. To address this and in recognition of the potential benefits of enhanced payee validation I will instruct the Government Finance Function, supported by Public Sector Fraud Authority, to lead a short cross government stocktake of current departmental practices to assess where additional guidance or standards on payee validation and related controls may be warranted. I am grateful for your interest in this issue and will update you on our findings in due course.

Yours sincerely,

Conrad Smewing, Director General Public Spending, HM Treasury