

Payment Systems Regulator (PSR) – Written evidence (SCG0079)

Thank you for the opportunity to give evidence to the Committee on 12 February. I appreciated the opportunity to discuss the current work of the Payment Systems Regulator (PSR). As we discussed, we have a firm focus on protecting people and businesses – including from fraud – supporting the delivery of the National Payments Vision, fostering innovation, and contributing to economic growth. We collaborate closely across the payments ecosystem, HM Treasury, and fellow regulators to ensure we have a positive impact and support regulatory certainty, leveraging our expertise in payment systems and seeking opportunities for greater regulatory simplification.

I agreed to write to the Committee on a number of issues, which I include below. We would be very happy to discuss further any areas which the Committee may consider helpful.

Use of the consumer standard of caution to reject claim reimbursement

The 'Consumer Standard of Caution' (CSOC) is a key element of our Authorised Push Payment (APP) rules. It is designed to specify the standard of care that Payment Service Providers (PSPs) can expect of their consumers when making a payment. Our guidance on the CSOC sets out specific circumstances where the reimbursement obligation would not be triggered.

We are monitoring our policy through a combination of data received from UK Finance and Pay.UK, and regular engagement with industry, consumer bodies, other regulators, government departments and law enforcement. The early data we have suggests that industry has used the CSOC to refuse less than 3% of claims (by volume) since the reimbursement rules came into effect on 7 October 2024. The aggregate volume of claims has fallen compared to the equivalent figures for previous years. In early February – one third of the way through the first year of the policy – around 44,000 in-scope claims had been made with a total value of £49m. This was less than one fifth of the 232,000 claims made in calendar year 2023. We will update the Committee once we have more data and have been able to fully verify these figures through our formal compliance processes.

We have committed to commissioning an independent review of the rules later this year. We will include firms' use of the CSOC rules in assessing the impact of the overall regime.

Data on the volume of fraudulent activity per payment institution

I am pleased to share with the Committee our [2023 report on APP performance data](#). This data covers the majority of Faster Payments in the UK, by value and volume. In addition, because a number of smaller payment firms account for a large proportion of APP scams, this report includes firms that were identified as being one of the 20 highest receivers of APP scams by volume and value. The data that we collect and publish covers APP scams in the UK only.

Data on fraud origination

We are clear that it is important for all parties to take responsibility for addressing payments fraud, including social media and telecommunications companies. While social media and telecommunications companies do not fall within our remit, we are working with other agencies to share intelligence and, through publishing information on where fraud originates, increasing consumer awareness and creating strong incentives for firms to act.

I am pleased to share with the Committee our [report](#) published in December 2024 which highlights our key concerns and calls on technology, telecoms and social media platforms to work with payment firms to stop scams happening in the first place. The data shows how fraudsters are targeting major social media platforms. Key findings include:

- Over half of scams involve Meta platforms: In 2023, Meta platforms (Facebook, Instagram, WhatsApp) were linked to 54% of scam incidents (119,338 cases) and 18% of total losses (£62.7 million). That's equivalent to around £1 in every £5 lost to scams.
- Telecoms and emails are present in significant losses: Fraudulent calls and texts via telecoms were used in 12% of scam cases (26,975) but accounted for 31.5% of the losses (£107.2 million). Emails, while only involved in 2% of scams, led to disproportionately high losses of £35 million (10% of the total).

- Romance scams are more common on Meta platforms: Meta platforms were used in more romance scams (31%) than all dating websites combined. Facebook, Instagram, and WhatsApp together accounted for 1,590 incidents and £5.1 million in losses.
- Purchase scams dominate on Facebook: The most common scams in 2023 were purchase scams, where victims buy items that never arrive. Facebook was used in 44% of these cases (67,337 incidents), with losses of £19.5 million—more than any other platform. While eBay saw fewer scams (1.6% of cases), the losses per scam were significant, totalling £6.7 million.

First Party Fraud

It may also be helpful if I set out what evidence we have on the issue of first party fraud, or collusion, where customers are responsible for, or complicit in, fraudulent activity. We have been closely monitoring the impacts of the reimbursement policy, including through the data we are receiving from UK Finance and Pay.UK and regular engagement with industry, consumer groups, other regulators, government departments and law enforcement agencies. To date we have seen no evidence of an increase in first party fraud since the start of the policy. The claim numbers referenced above also indicate a decrease in overall claim volumes compared to previous years. We continue to engage and monitor the evidence we receive to consider the risks of first party fraud. This issue will also be an important consideration for the independently led evaluation of the policy.

Additionally, the Committee may be interested in our research published in [November 2024](#), during International Fraud Awareness week. The findings challenge assumptions that reimbursement leads to complacency; in fact, reimbursed victims report feeling more vigilant about fraud risks, not less. Added to that, about a third of victims (32%) also said they had lost confidence in using new payment methods, underscoring the lasting effects fraud can have on consumer trust.

Thank you again for the opportunity to provide evidence. I hope that you find the additional information useful. We look forward to continued engagement with the House of Lords Financial Services Regulation Committee and would be happy to further support the Committee's important work.

6 March 2025