

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

Telephone: 020 7066 9346
Email: enquiries@fs-cp.org.uk

CoP team
Payment Systems Regulator
12 Endeavour Square
London
E20 1JN

29 June 2021

By email: COP@psr.org.uk

Dear Sir / Madam,

The Financial Services Consumer Panel (FSCP) is an independent statutory body. We represent the interests of individual and small business consumers in the development of policy and regulation of financial services in the UK.

Consumer confidence in the payments system is paramount. All financial transactions and all consumers are dependent on the payments system functioning reliably and safely, and all participants in the payments ecosystem should work together to ensure a safe, robust and trusted environment for payments. The shift toward digital should not be seen as an opportunity to lower safeguards or outsource risks to consumers; rather payments products and services should be built with 'safety first'. Payment gateways will always be targeted by fraudsters and the industry needs to invest both now and on an ongoing basis to retain consumer trust and confidence. Safety has to be seen as a condition of business – not an afterthought.

Costs to entry incurred from

- i. Building,
- ii. Implementing,
- iii. Maintaining, and
- iv. Updating cross-industry anti-fraud measures such as Confirmation of Payee (CoP)

Must be understood by industry as necessary rather than discretionary.

While we recognise that the evidence is not conclusive, we believe that the introduction of the CoP will have done much to mitigate payment risk and enhance consumer confidence in digital payments.

The Covid-19 pandemic has both driven an increase in the number of digital payment users as well as a measurable increase in the volume of payments made digitally. And while the overall amount of APP fraud has risen in both volume and value, we believe that the introduction of CoP will have significantly helped to mitigate payment risk and retain consumer confidence in digital payments. We concur with the PSR's view that without CoP the incidence of APP and other related fraud would have been higher, noting in particular how its analysis shows that the relevant types of APP scams have shifted away from Payment Service Providers (PSPs) offering CoP to those not participating in the service.

For consumers, the same protections should apply, irrespective of the instrument. To ensure the full benefits of CoP are enjoyed across the payments landscape, the Panel believes its uptake must be extended across the industry. As potential participants increase, the benefits of CoP should similarly increase; universality of service will meanwhile enhance competition amongst participants in the payments landscape, enhancing consumer choice. We thus fully support CoP Phase 2 and recommend its expedited implementation.

We have noted the concerns related to the implementation of Phase 2 across *all* accounts that only use secondary reference data (SRD), in particular the suggestion that for some account types this would require significant technical change. It is also suggested that some specific account types are more likely to benefit from this fraud prevention tool than others, and that there may be less costly ways to achieve CoP coverage for those accounts. While this may well be the case, the Panel believes that safety in payments is paramount and ensuring consumer safeguards is an essential cost of business. Prioritising those account types that *are* more susceptible to pay-out fraud over others that *are not* may make sense in terms of scheduling, but we would reiterate that the extension of CoP right across the industry remains key. Fraudsters are cunning and adaptive and will modify their tools and techniques as the industry adjusts its defences, meaning that accounts that do not appear to be targeted or particularly vulnerable today may well become so in due course.

We would welcome the PSR carrying out regular research into account fraud and the types of consumers and payments that are being targeted.

As a final point we would stress that as more and more consumers take up (or are pushed to) digital payments, further safeguards will be needed ensuring that all consumer types – including the most vulnerable, can safely pay and be paid. In all likelihood CoP will need to be updated and adapted in line with changing fraud patterns and similar new measures be introduced. Industry will need to make continued investment – including in consumer education.

Participants in the payments landscape have a duty to ensure their services are reliable, available, safe and secure and need to stand ready to continually – and quickly – upgrade their defences in line with threat levels. This work needs to be undertaken both on a collective, cross-industry basis as well as by individual firms and it should be given the highest priority to ensure consumer safety.

Yours faithfully,

Wanda Goldwag
Chair, Financial Services Consumer Panel