

Telephone: 020 7066 9346  
Email: [enquiries@fs-cp.org.uk](mailto:enquiries@fs-cp.org.uk)

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By email: [cop.consultation@psr.org.uk](mailto:cop.consultation@psr.org.uk)

Dear Sir / Madam,

**Financial Services Consumer Panel response to PSR consultation on Confirmation of Payee: Requirements for further participation**

The Financial Services Consumer Panel 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.

The Panel is strongly supportive of the Confirmation of Payee (CoP) measure. As we have stated in previous responses on this issue, consumer confidence in the payments system is paramount – and that confidence relies on safety. Payment products and services should be built with ‘safety first’. Payment gateways are a target of 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; similarly, investment in security must be viewed as foundational, not discretionary.

The latest figures<sup>1</sup> show that authorised push payment (APP) fraud continues to rise in both volume and value, and further evidence<sup>2</sup> suggests APP fraud victims are still experiencing shockingly low reimbursement rates in an effective “lottery” of protections. However, the PSR’s research evidences that the introduction of CoP *has* helped to mitigate payment risk. We concur with the PSR’s view that without CoP the incidence of APP and other related fraud would have been higher, and note 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 the full benefits of digital payments to be realised, CoP should be extended across all payment providers offering customer accounts. The benefits of CoP will increase as more participants adopt it and the universality of its adoption will enhance confidence and competition amongst participants in the payments landscape, in addition to increasing consumer choice. We thus fully support the PSR’s requirements for further participation in CoP.

At the same time, we would stress that CoP should only be seen as one tool in the security and consumer protection box – not the be-all-and-end-all. We support UK Finance’s<sup>3</sup> recommendations that additional defences should be applied at *both* ends of the transaction – screening payment beneficiaries both at payment initiation and as part of a

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<sup>1</sup> See <https://www.ukfinance.org.uk/system/files/Half-year-fraud-update-2021-FINAL.pdf>

<sup>2</sup> See <https://www.which.co.uk/news/article/banks-wrongly-denying-fraud-victims-compensation-in-up-to-8-in-10-cases-aFck94J4TjEX>

<sup>3</sup> See <https://www.ukfinance.org.uk/news-and-insight/blogs/has-confirmation-payee-been-successful-combating-app-fraud>

regular back book screening, and that greater analysis of incoming payments should be undertaken to identify potential 'mule' accounts. In addition, as we stated in our response<sup>4</sup> to the PSR's Call for Views, we believe that membership of the Contingent Reimbursement Model (CRM) Code and reimbursement of APP scam losses should be mandatory for all PSPs. The Government's recently published approach<sup>5</sup> to mandatory reimbursement is a welcome step towards strengthening consumer protections.

While supporting the PSR's recommendations, as well as its expectations that Pay.UK and the Bank of England will adopt rule changes requiring CoP, we recognise that implementing CoP will entail costs and require time to implement. However, we would also observe that many of the Group 1 PSPs are "digital natives" – organisations which pride themselves on their ability to bring things to market far faster than their larger competitors. Given this, and the imperative of ensuring that consumers are protected, we believe the timelines set out are (at a minimum) adequate.

We understand why Group 2 has been given additional time to implement CoP given the Secondary Reference Data (SRD) implementation timeline and believe that the additional year should prove sufficient for this. We would therefore support the PSR directing for SRD implementation amongst Phase 1 participants, were that to prove necessary to support Group 2's envisaged timeline.

We would, however, question PSR's proposal to exempt Payment Initiation Service Providers (PISPs) from CoP. While we are sympathetic to the view that the current business model for PISPs could obviate the need for CoP, we are concerned both that this could limit any future evolution in the PISP business model, and about the risks to consumers interacting with less established or well-resourced PISPs. Such firms may not be well-equipped to conduct rigorous due diligence on their clients – the businesses that consumers ultimately make payments to – leaving consumers vulnerable to scams and fraud. We would therefore prefer that CoP be required for both PSPs and PISPs, thereby ensuring that consumers are protected irrespective of the payment service they use and any evolution in the PISP business model, and ensure a level playing field across providers.

As we stated in our response<sup>6</sup> to the PSR's prior consultation on CoP, we would welcome the PSR carrying out regular research into account fraud and the types of consumers and payments that are being targeted. Such research could provide evidence that might prove helpful in fighting what will undoubtedly prove to be an ongoing battle against digital payments fraud.

As a final point we would stress that as consumers increasingly adopt (or are pushed to) digital payments, further safeguards will be needed to ensure that all consumer types – including the most vulnerable – can safely pay and be paid. Furthermore, it is likely that CoP will need to be updated and adapted in line with changing fraud patterns and new, complementary measures be introduced. The PSR will need to remain vigilant on these issues and 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

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<sup>4</sup> See [https://www.fs-cp.org.uk/sites/default/files/final\\_fscp\\_response\\_to\\_psr\\_cp2110\\_app\\_scams\\_002.pdf](https://www.fs-cp.org.uk/sites/default/files/final_fscp_response_to_psr_cp2110_app_scams_002.pdf)

<sup>5</sup> See <https://www.gov.uk/government/publications/government-approach-to-authorised-push-payment-scam-reimbursement/government-approach-to-authorised-push-payment-scam-reimbursement>

<sup>6</sup> See [https://www.fs-cp.org.uk/sites/default/files/draft\\_fscp\\_response\\_cop\\_final.pdf](https://www.fs-cp.org.uk/sites/default/files/draft_fscp_response_cop_final.pdf)

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 sincerely,

Helen Charlton  
Chair, Financial Services Consumer Panel