

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Financial Conduct Authority
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By email: interbankconsumerprotection@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.

The Consumer Panel welcomes the PSR issuing a call for views on interbank payments and is broadly supportive of the PSR's vision. Currently, the protections for consumers making interbank payments are insufficient and improvements need to be implemented.

Protections should be clear and consistent and apply across all payment methods. A high standard of consumer protections must exist for consumers where they use emerging payment methods and providers for retail payments.

The move to fast and frictionless payments brings significant risks to consumers, making it easier for consumers to spend and more difficult for transactions to be reversed. Further, consumer awareness of the payment methods they use is low (the PSR and UK Finance consumer research cited in the call for views confirms this).

There should be a clear, efficient and consistent process for settling disputes and obtaining redress for both consumers and SMEs. The lack of success of the Contingent Reimbursement Mode (CRM) code for APP scams suggests that a purely industry-led solution will be ineffective at protecting consumers. Also, the rules should be enforceable, and success measures clearly defined and measurable.

The design of a future regime should be inclusive¹ and take into account the wide-ranging needs, behaviours and lived experiences of real consumers to ensure that services are accessible to, and usable by, the greatest number of people possible. It is also essential that firms consider the needs of consumers in vulnerable circumstances at all stages of the customer journey, as vulnerability increases an individual's propensity to suffer harm.

The Panel would like to reiterate the importance of the following key principles that should guide future developments in the payments market, which were included in its response to the HMT Payments Landscape Review²:

- **Accessibility:** All UK consumers must be able to pay and be paid. The system must be accessible to all.

¹ Inclusive design for regulators report by Fair By Design and the Money Advice Trust: <https://fairbydesign.com/wp-content/uploads/2021/01/Inclusive-Design-Regulators-Report-Final-Fair-By-Design-Money-Advice-Trust.pdf>

² https://www.fs-cp.org.uk/sites/default/files/final_fscp_response_hmt_payments_landscape_review.pdf

- **Fairness and affordability:** The cost of making payments should not exclude particular consumers, businesses or transaction types. It should not cost more for the poorest to pay.
- **Reliability:** Individual payment systems must be robust and reliable with appropriate redundancy measures in place to ensure continuity of service in case of need.
- **Sustainability:** The Payment System should be operated on an economically sustainable basis. The failure of individual payment systems should not result in consumer losses.
- **Safety, security and consumer protection:** Individual payment systems must be safe and secure. The Payment System should offer at least a minimum level of protection to consumers, including against fraud and losses as a result of firm failure.
- **Transparency:** Individual payment systems' costs and protections must be clear and easily understandable. Individual payment systems should offer full transparency about how end users' data is used, by whom and to what end.

On the call for views on Interbank payments, the Panel also makes the following observations:

- **Consumer understanding:** The payments landscape is complex and consumer awareness of the payment methods they are using, and their varying level of protection, is low. In addition to regulatory interventions, the differences in protections between payment methods needs to be clearly and transparently communicated to consumers using terminology that is easy to understand. Authorities must ensure their messages to consumers are consistent and co-ordinated.
- **Future proofing regulation:** Consumer protections need to be future proofed for new propositions and business models. There are risks to consumer protection beyond banks and building societies. Those running innovative payments companies may be less familiar with regulation and longstanding consumer issues, and the potential for consumer harm is therefore large.
- **Fewer frictions pose risks to consumers:** There exists a trade-off between innovation which permits faster payments and consumer protections. Less friction also makes it more challenging for consumers to effectively budget and reverse transactions. This may result in significant consumer detriment, for instance in respect of spending on gambling.
- **Fraud detection:** The move to fast and frictionless payments should be matched by equally fast and strong fraud detection measures at both the paying and receiving ends of transactions. To maintain consumer confidence and appropriately protect consumers, safety should increase alongside speed.

Yours faithfully,

Wanda Goldwag
Chair, Financial Services Consumer Panel