the payments association

Lord Johnson
Minister of State for Investment
Department for Business & Trade
Old Admiralty Building
Admiralty Place
London SW1A 2BU

23rd June 2023

Dear Lord Johnson,

The payments industry has long been seen as the backbone of financial services. New technologies and regulations have recently revolutionised payments to better serve everyone who pays and gets paid. Contributing to a £125bn global industry, the UK payments industry is also a tremendous British success story. We are very proud to have led the way with the early adoption of Faster Payments, rapid acceptance of contactless, and leading-edge mobile wallets and Open Banking. Hundreds of companies employing tens of thousands of people now work in payments to make our society work better for everyone.

We would now like the payments industry to be recognised as an engine for economic growth and a champion for inward investment and export opportunities, as it delivers a frictionless, instant and secure payments experience for government, corporations and consumers.

We would also like to see a progressive approach to the regulation of payments. We accept that sometimes it is difficult for regulators to achieve the right balance between innovation, competition and protecting consumers, especially when they are working against a forthcoming statutory duty to act. But some regulators regulate in a way that stifles the growth of our industry. As a result the UK becomes a less attractive destination for investment and some companies leave our shores entirely.

In this respect, we would like to highlight what our members see as the likely unintended consequences of some of the new policies to reduce Authorised Push Payment (APP) fraud scams. While some of the policies to reduce this £485m[i] fraud problem make good sense and will go some way towards reducing APP fraud, two policies have potential unintended consequences, and one has been omitted altogether:

1. Almost all consumers experiencing APP fraud will get their money back (unless they are 'grossly negligent')

2. The cost of the compensation for APP frauds will be shared 50/50 between the sending bank/issuer and the receiving bank/issuer
3. Despite up to 80% of APP frauds originating through purchases made on social media, social media companies are rarely involved with preventing fraud[ii]

The first of these may create more fraud, rather than reduce it, by malicious people pretending to be “vulnerable” according to the definition of vulnerability, and thus becoming automatically entitled to reimbursement even when they have been acting intentionally. It may also encourage ‘first party fraud’, where two parties wittingly arrange a ‘friendly scam’ to double their money.

The second of these will result in account issuers becoming more cautious about opening (or maintaining) marginal accounts because of concerns that they may have to accept 50% of the costs of any APP fraud. As a result, they will be less likely to open accounts for low income, disadvantaged, technologically challenged, older or vulnerable consumers, or close their accounts to limit exposure to this new level of liability. This is counter to our society’s objectives of including more vulnerable consumers in our financial system.

And finally, without involving social media giants, we will not stop most APP fraud at its source. The proposed Online Safety Bill is just one step towards securing the involvement of upstream actors, which is critical to preventing fraud at source. But it is not enough.

There is some excellent work being done to prevent fraud across the ecosystem, and we support these efforts wholeheartedly. But we fear that these latest anti-fraud policies, and many other regulations recently proposed and adopted by regulators of payments, will inflict damage on companies in our industry, including credit institutions, e-money institutions and payments institutions.

We are bringing this to the attention of your Department, given the impact this will have on the UK’s ability to attract investment and export payments services. We accept regulators can only use regulatory powers designated to them. But in countries like India, Australia and Brazil, the government’s leadership in digital identity and payments has created a powerful movement for change. This has also attracted many businesses and entrepreneurs, as well as improved the relative wellbeing of their populations.

We urge the Department for Business and Trade to recognise and support the UK payments industry’s leadership aspirations. We encourage you to help shape a cross-departmental approach that recognises the systemic importance of payments as an industry from which the UK government can derive impactful and tangible benefits for the British people.

Yours sincerely,

Tony Craddock
Director General

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Who we are

The Payments Association is the largest community in payments. Founded in the UK in 2008, the association now operates in the UK, EU and Asia, bringing over 300 payments firms together in the spirit of collaboration and innovation. Our broad and unique member-base consists of payments firms right across the ecosystem, from banks and fintechs to payment schemes and lawyers.

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[i] https://www.psr.org.uk/our-work/app-scams/

[ii] TSB calls for Meta to do more to protect customers from fraud – as consumers could lose £250m from fraud originating from Meta platforms in 2023