

APP Scams - PSR Industry Engagement Session 3

24 April 2024

Purpose and agenda

Thanks for joining today's session. We will be hosting a series of fortnightly engagement sessions to support industry readiness. These sessions give in-scope PSPs the opportunity to ask questions and seek clarity on the FPS APP scam reimbursement policy.

Over the next 1.5 hours, we'll be discussing:

- 01 CHAPS | *Ben Woodside (PSR) – Samantha Leighton (Bank of England)* | 30 minutes
- 02 Compliance Monitoring consultation and complex 'exceptional' cases | *Emma Bailey* | 30 minutes
- 03 How to distinguish an APP scam from a civil dispute – upcoming PSR work | *Steph Mackereth* | 5 minutes

Given the number of attendees and the content to cover, please:

- Mute microphones unless you are speaking
- Raise hands virtually to ask questions
- Do not feel the need to echo others' views
- If you leave a comment in the chat, we will try to get to it or we will review it after the call
- A copy of these slides will be shared after this session.

Website walk through

In March we have revamped the APP Scams page on our website to make it easier to find documents and information relating to our policy.

PSR Home > Our Work > APP Scams – On the right:

Resources
Publications
APP scams reimbursement: roadmap to implementation 2024
Industry engagement
Policy clarifications

Related content
The Contingent Reimbursement Model (CRM) Code
Confirmation of Payee
Our first APP scams performance data report
A history of our work to prevent APP scams
Frequently asked questions

RESOURCES

- Under **Publications** you can find our open consultations and the June and December policy statements and related legal instruments together with additional information such as policy clarifications and past consultations as well as material related to our work on APP scams performance data and publication
- **APP scams roadmap** – quick summary of the work we are doing this year
- **Industry engagement** – this is where you can sign up to our industry sessions
- **Policy clarifications** – here we upload the responses to queries we got around our reimbursement requirement. To submit one, you can email us at appscampolicyclarifications@psr.org.uk .

RELATED CONTENT

- Here you can find additional information on the CRM Code, the Confirmation of Payee, our first cycle of performance data, our past work on APP scams and FAQs for consumers

<https://www.psr.org.uk/our-work/app-scams/>

CHAPS

CHAPS – a reimbursement requirement



The Bank, as the operator of CHAPS, announced, alongside our June policy statement, that it was committed to achieving comparable outcomes of consumer protections for CHAPS. We have been working with the Bank to define a reimbursement model that reflects the unique characteristics of CHAPS, is simple to implement, and creates APP scam protections for consumers making payments over CHAPS comparable to those made over Faster Payments.



The Bank will place the reimbursement requirement into an appendix in the CHAPS Reference Manual. This aligns with the approach Pay.UK, the operator of FPS, took with the FPS reimbursement rules. The PSR proposes to give a specific direction to CHAPS participants which mirrors Specific Direction 20 in function.



We are planning to consult on the proposed specific direction in May 2024. Alongside this consultation we will also be publishing the Bank's proposed CHAPS reimbursement rules, on which the Bank will be seeking input.

Bank of England

CHAPS APP Scam Reimbursement Requirement

PSR session

Sam Leighton
24 April 2024



APP scams and CHAPS

- Lower prevalence of APP fraud on CHAPS
 - 550 cases and £13.9m lost in 2022 (0.1% of cases and 3% of total value), [UK Finance data](#)
 - **We believe it is right that consumers receive comparable treatment no matter what payment rail they use.**
- We are supporting the PSR to implement APP scam mandatory reimbursement for CHAPS payments.
 - The same limits will be applied as for FPS (£415k and £100 for excess).
 - Where there is a hybrid claim – i.e. a mix of FPS and CHAPS payments – a single maximum reimbursement limit/excess should be applied covering all payments within the claim.
 - We have remained closely engaged with industry, regulators and government.
 - We work to ensure alignment with the FPS reimbursement requirement and avoid a disproportionate burden on industry. This includes working towards a 7 October effective date.
 - New CHAPS Reference Manual rules will be published alongside the PSR consultation. We will welcome comments sent to chapsappfraud@bankofengland.co.uk.

APP scams and CHAPS – practical implementation (1)

- We will shortly be asking sponsor banks for lists of the CHAPS indirect participants. We expect the vast majority to also be indirect for FPS.

Claim management

- Some participants currently use BPS for cases and can continue to do so for now.
- We expect CHAPS participants to be able to register for RCMS to obtain access to the contact/routing directory which can then be used to a) contact other PSPs involved in a claim and b) know where to send the 50% liability contributions.
- The same contacts/accounts should be used as for FPS. In the unlikely event there is a separate team that manages CHAPS frauds, this should be coordinated internally.
- We will be leaving it to the discretion of PSPs whether to use FPS or CHAPS to send 50% contributions.
- We are working with Pay.UK to ensure CHAPS is added as a later phase to RCMS.

APP scams and CHAPS – practical implementation (2)

Reporting and compliance monitoring

- Reporting Standard A and Reporting Standard B will be fundamentally the same as for FPS.
- Only Reporting Standard A will apply from Day 1 for CHAPS. PSPs will be asked to provide reporting via email, attaching a spreadsheet. (Even where BPS is used.) We are not planning to ask for nil returns.
- Reporting Standard B will apply once available from Pay.UK RCMS solution.
- For CHAPS Direct Participants, compliance monitoring will form part of the standard assurance processes.
- For CHAPS indirect participants, we are broadly adopting the same approach as Pay.UK such as following up with information requests where non-compliance is detected.
- However, it may be difficult to adopt the same approach in the medium term as FPS. CHAPS fraud volumes are very low and likely to be zero – even over a year – for the vast majority of in-scope PSPs. This makes it difficult to apply concepts of thresholds or outliers.



Compliance Monitoring

- Open consultation
- Complex 'exceptional' cases

FPS APP scams compliance and monitoring – overview of data reporting proposals

PSR OFFICIAL



On 17 April we published our consultation on compliance and monitoring of the FPS APP scams reimbursement requirement, and draft amended legal instruments SD19, SD20 and SR1, through which we will implement these proposals once they are finalised following consultation.



We have given Pay.UK, as the operator of Faster Payments, responsibility for monitoring and managing the compliance of all directed PSPs with the FPS reimbursement rules. The consultation proposes a pragmatic approach for PSPs to report data and information to Pay.UK for it to effectively fulfil this role.



We are proposing a proportionate, phased approach to PSP reporting which ensures Pay.UK has the data and information it needs to monitor compliance at PSP level, whilst balancing the reporting burden on firms:

Collation and retention of all compliance data

PSPs must collate and retain all data within the PSR's compliance data reporting standard (CDRS), from the policy start date

Reporting standard A

PSPs must report a subset of core compliance data to Pay.UK from the policy start date until 30 April 2025. Reporting will be monthly from the sending PSP in respect of transactions they have sent, using a (manual) means specified by Pay.UK

Reporting standard B

From 1 May 2025, PSPs must provide a richer dataset to Pay.UK. Reporting will be automated via Pay.UK's reimbursement claims management system (RCMS)

Overview of other consultation proposals

The consultation proposes that PSPs must:

- comply with Pay.UK's rule to use its RCMS for FPS APP scams claim management, communication and data reporting (and register with Pay.UK as a user of the system)
- retain compliance data and information for a period of five years from the date of collection
- respond to reasonable requests for information from Pay.UK that enable it to effectively fulfil its compliance monitoring role

It also proposes that Pay.UK must:

- provide the capabilities for PSPs to onboard to its RCMS, and notify PSPs and PSR if the RCMS is unavailable
- notify the PSR of proposed changes to its FPS reimbursement rules and specific FPS rules
- only use the data and information that it receives from PSPs to fulfil its monitoring role, and limit disclosure of confidential information
- **We also propose to clarify our policy intent in respect of when a claim may be closed, and of application of the excess where there are multiple receiving PSPs.**
- **We have also set out the reporting boundary, to provide clarity to PSPs on which consumer issues must be included in the data that PSPs report to Pay.UK - this is for information.**
- **Our proposals for clarifying a consumer's rights to reimbursement are detailed on the next slide.**

Clarifying a consumer's right to reimbursement

We are consulting on two proposals to ensure consumers have right to recourse if they do not agree with their PSPs outcome of the claim. We welcome your input into these as part of the consultation process.

1. We've set out two proposed options for clarifying a consumer's right to reimbursement in accordance with the FPS reimbursement rules. One of these options involves a change to PSPs terms and conditions.
2. We are also proposing that PSPs will need to notify their customers of the reimbursement requirement by 7 October 2024. We are suggesting that is done in line with how a PSP would normally notify a customer of changes.

These proposals would be implemented through amendments to SD20.

Complex 'exceptional' cases

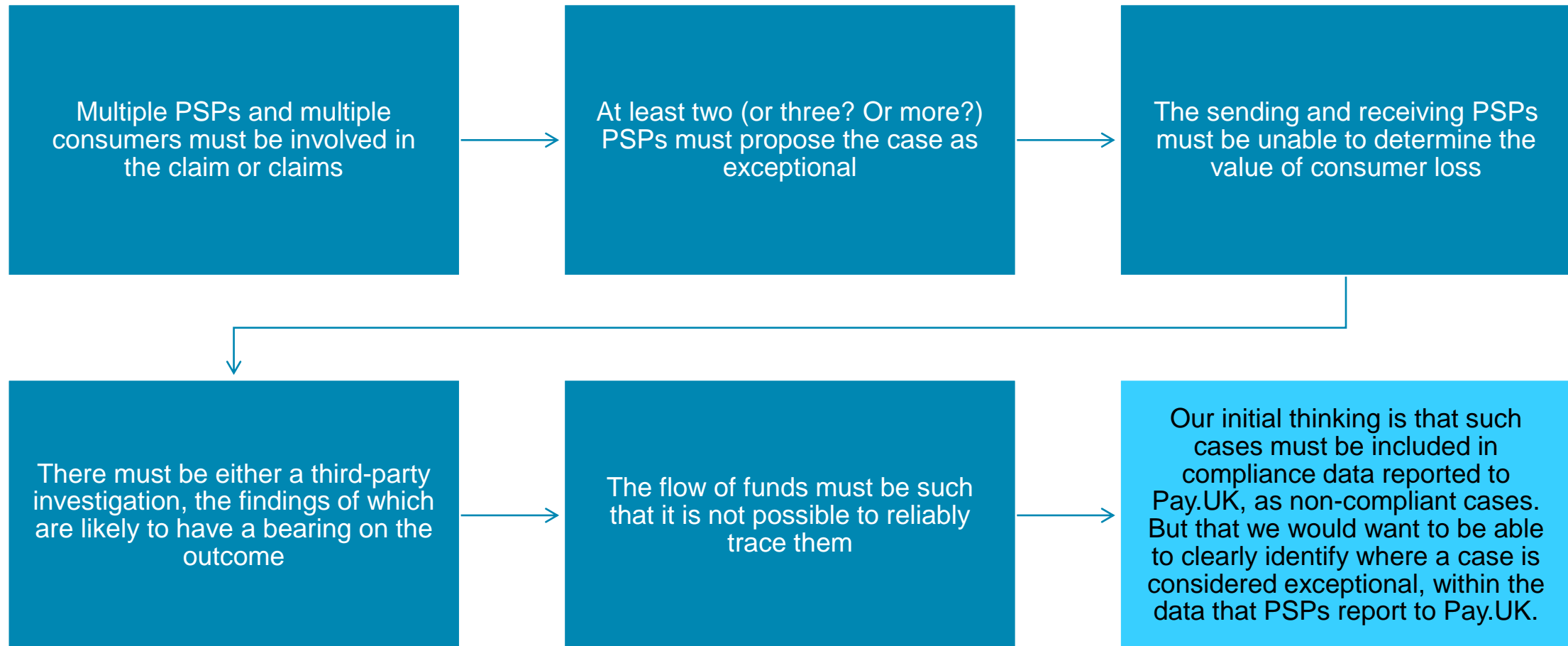
The PSR is seeking to develop a clear and effective approach for identifying and managing complex 'exceptional' cases which, due to their characteristics, cannot be reimbursed within 35 business days, as the policy requires. We expect such cases to be rare.

We are seeking input on the approach to such cases as part of the monitoring consultation, and encourage you to share your views and insights. PSR will be working with Pay.UK over the coming months to develop a process for the allocation and management of these cases. We recognise that we need:



Early thinking on criteria for cases being considered 'exceptional cases'

We recognise the importance of providing certainty to both industry and consumers on the approach that we, and Pay.UK in their compliance and monitoring role, will take to these cases. Some initial thoughts on entry criteria, on which we welcome any views, are:



Next steps

- Thank you for your input and engagement to date.
- We recognise the significant work underway in preparation for implementation.
- The compliance and monitoring proposals are a key element of the policy package and we welcome your input to shape the proposals and ensure an effective, pragmatic, and proportionate monitoring regime.
- The consultation is open until **28 May 2024.**
- If you would like to discuss the proposals on a 1-1 basis, please get in touch.

How to distinguish
an APP scam from
a civil disputes?

How to distinguish an APP scam from a civil dispute?



We understand that in some cases it can be difficult to distinguish between an APP scam and a civil dispute.



Industry have explained to us that they have concerns that the difficulty to distinguish could lead to inter-PSP disputes once our reimbursement requirement goes live.



We have carried out some initial engagement and we've begun to develop a high-level set of principles which we think will support PSPs assessments.



We will be reaching out to industry, trade bodies and consumer groups to explore this issue further and we would value your feedback, comments and suggestions.

Next session will take place
on 14th May 2024. Please
register online on our website.
Details and registration form
will be uploaded soon.