

APP Scams - PSR Industry Engagement Session 5

03 June 2024

Purpose and agenda

Thanks for joining today's session. We have been 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 hour, we'll be discussing:

- 01 Advanced reimbursement, opportunity to respond, relevant accounts, complex business models, Me2Me, update on Faster Payments participants | *Jon Williams* | 20 minutes
- 02 Measure 1 and Measure 3 differences | *Jon Williams* | 10 minutes
- 03 Consumer standard of caution | *Saima Hansraj / Steph Mackereth* | 25 minutes
- 04 Timeline and next steps (PSR and Pay.UK)

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.

Opportunity to respond,
advance
reimbursement, relevant
accounts

Opportunity to Respond and Advance Reimbursement

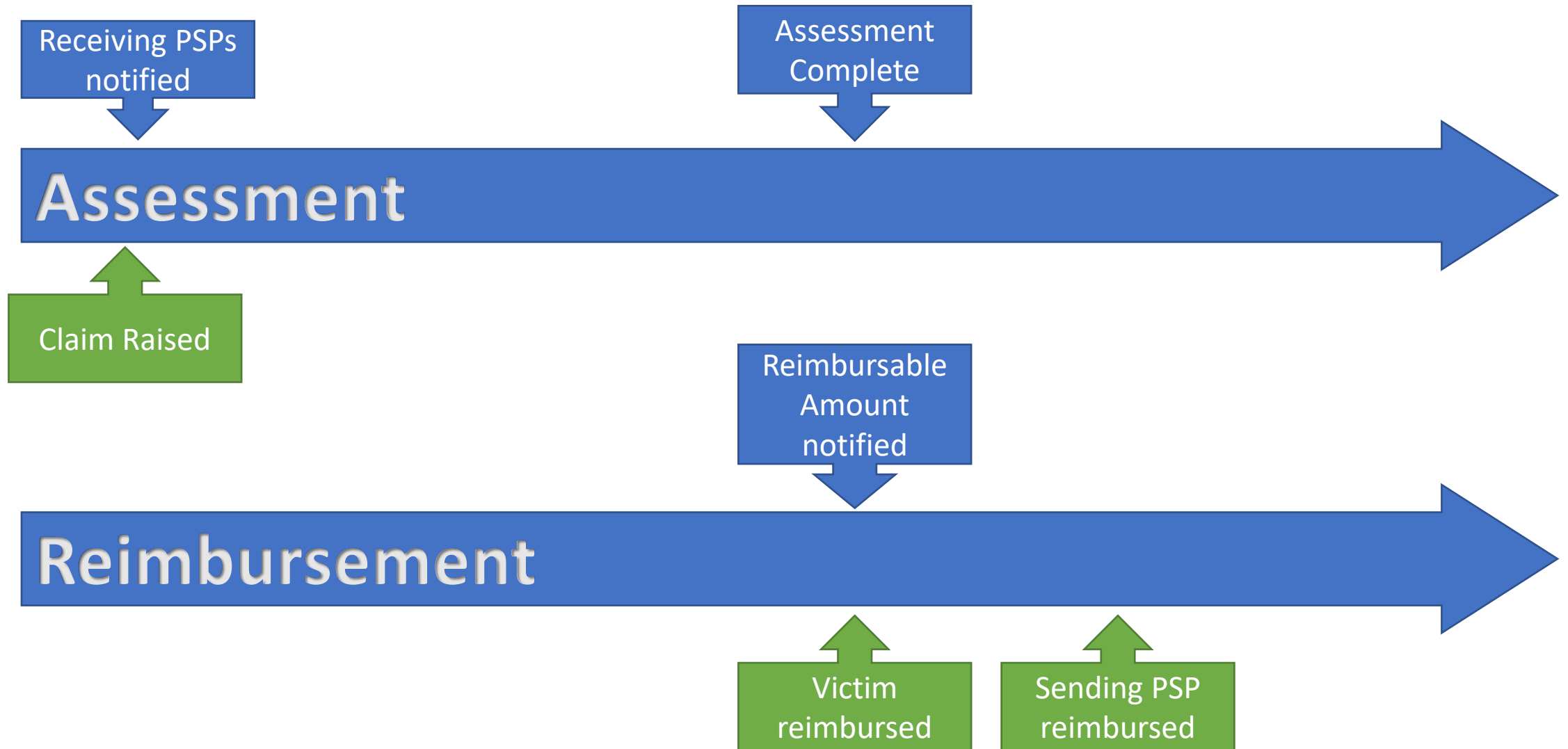
Opportunity to respond

- This is the window in which any receiving PSP can respond to a notification from the Sending Firm before assessment completes
- Applies from Claim Opening
- Pay.UK sets window as 3 days
- Not impacted by “stop the clock”
- Assessment of a claim - as reimbursable or not - **cannot be completed before window closes**
- Any decision by a Sending PSP to credit their customer before the opportunity to respond window closes is based on a part-assessment

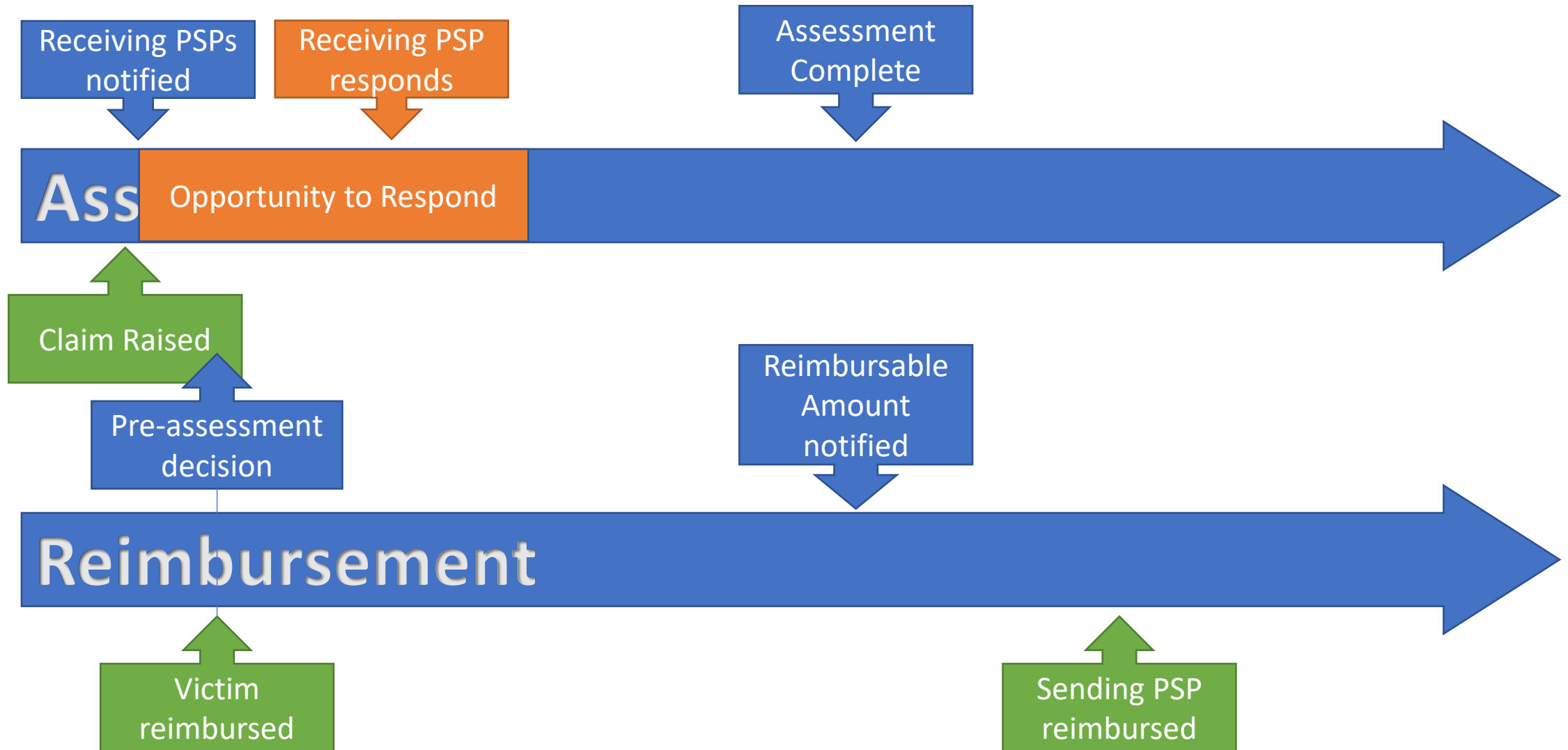
Advance Reimbursement

- This is reimbursing a customer in advance of completing an assessment of whether a claim was reimbursable
- Can relate to one or more payments in a claim
- Has no effect on assessment
- A Sending PSP reimburses in advance at risk
- If the completed assessment outcome is reimbursable, they can claim contribution from Receiving PSP(s)
- If the completed assessment outcome is not reimbursable, they cannot claim contribution from Receiving PSP(s)

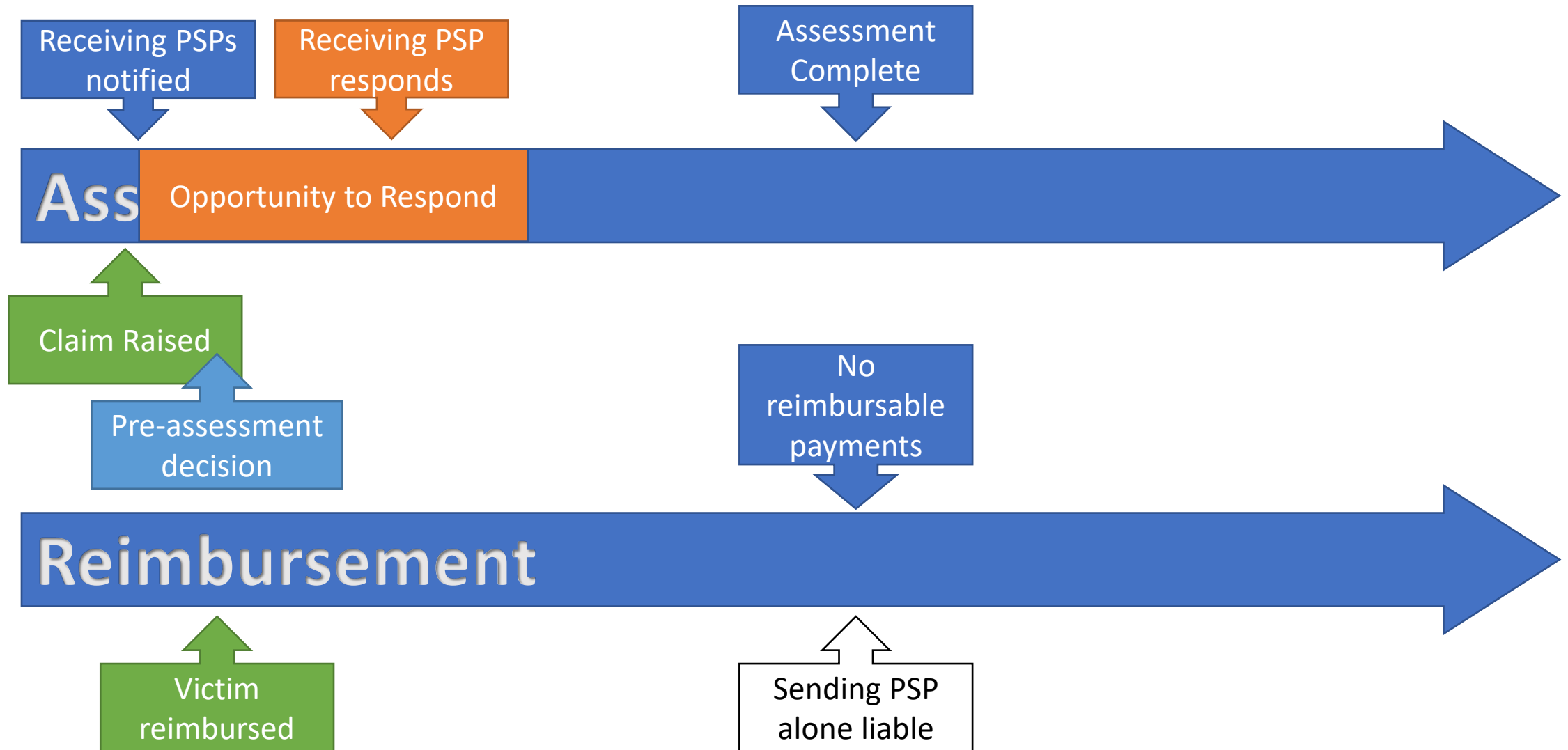
Ordinary Process



Advance Reimbursement - reimbursable



Advance Reimbursement – non-reimbursable



Key considerations for the application of the reimbursement policy

Relevant account

- *“an account that is provided to a service user, is held in the UK and can send or receive payments using the Faster Payments Scheme, but excludes accounts provided by credit unions, municipal banks and national savings banks”*

Sending PSP

- *“a PSP that provides a relevant account for a consumer from which the FPS APP scam payment was made”*

Receiving PSP

- *“a PSP providing a relevant account into which APP scam payments are received”*
- customers include any type of service user (non-participant)

Can a credit card account be a relevant account?

- Is it an account provided by a payment service provider to a service user?
- Can it make or receive a Faster Payment?
- Is it provided in the UK?

List of Faster Payments Participants

The list of all PSPs which have access to Faster Payments, which the industry has been asking for to ensure all PSPs are informed and can be notified.

These PSPs may be within scope of Specific Direction 20.

FPS Participant list published 22 May 2024

This list has been collated from industry – any additions and corrections can be sent to appscams@psr.org.uk

Measure 1 and Measure 3 differences

APP Scams Performance Data (Measure 1) & Reimbursement Requirement (Measure 3)

APP Scam Performance Data

Directs 14 sending PSPs

Data collection only

Payments via Faster Payments

Sending & receiving accounts in the UK

APP Scam Reimbursement

Directs sending and receiving PSPs

Notification, assessment, reimbursement, compliance reporting

Payments via Faster Payments

Sending and receiving relevant accounts (in the UK)

Consumer standard of caution

Consumer standard of caution

- We will use this session to **present the PSR's policy on the consumer standard of caution**. We will set out the definition of gross negligence and the four components that make up the consumer standard of caution. In December we published guidance to support firms with the practical application of the consumer standard of caution.
- Recognising the need for consistency in interpretation and to support firms with the practical application of the standard, we will run a series of joint workshops with the Financial Ombudsman Service. **These workshops will focus on the Consumer Standard of Caution and will run from late June into mid-July.**
- We want to invite as many of you to attend these sessions and will be in touch shortly to confirm dates.

Consumer standard of caution

In our December publication we narrowed the consideration of gross negligence to **four specific circumstances**, these standards make up the consumer standard of caution. The exception notice states that where a consumer has, **with gross negligence, not met one or more of the standards in the consumer standard of caution, their PSP is not required to reimburse them.** The consumer standard of caution exception does not apply to vulnerable consumers

What do we mean by gross negligence?

We agree with the position in FCA guidance that gross negligence is a high standard:

‘In line with the recitals to PSD2, we interpret ‘gross negligence’ to be a higher standard than the standard of negligence under common law. The customer needs to have shown a very significant degree of carelessness’. **Where suspected, the burden of proof is on the PSP to prove gross negligence.**

Consumer standard of caution

There are **four standards** that make up the consumer standard of caution:

- **The requirement to have regard to interventions:** Consumers should have regard to interventions made by their sending PSP or by a competent national authority, such as the police. Those interventions must clearly communicate the PSP's or police assessment of the **probability that an intended payment is an APP scam payment**.
- **It will be up to payment firms to consider the approach they might take in creating tailored, specific interventions and to develop their own operational approaches and identify best practice.** But any intervention for the purpose of this exception should be bespoke – it must be consumer, scam and transaction specific and **should not consist of generic or boiler-plate warnings**.
- **The prompt reporting requirement:** Consumers should, upon learning or suspecting that they have fallen victim to an APP scam, report the matter promptly to their PSP and, in any event, not more than 13 months after the last relevant payment was authorised.
- **The information sharing requirement:** Consumers should respond to any reasonable and proportionate requests for information made by their PSP to help them assess a reimbursement claim. This includes requests under our 'stop the clock' rules.
- **The police reporting requirement:** Consumers should, after making a reimbursement claim, and upon request by their PSP, consent to the PSP reporting to the police on the consumer's behalf, or request the consumer directly report the details of an APP scam to a competent national authority

The consumer standard of caution and vulnerable consumers

The consumer standard of caution **does not apply to vulnerable consumers**. If the consumer is assessed as vulnerable, then they must be reimbursed.

Even if the consumer is found to be vulnerable, they need to have reported the scam within 13 months of the date of the last payment, to claim reimbursement under the policy.

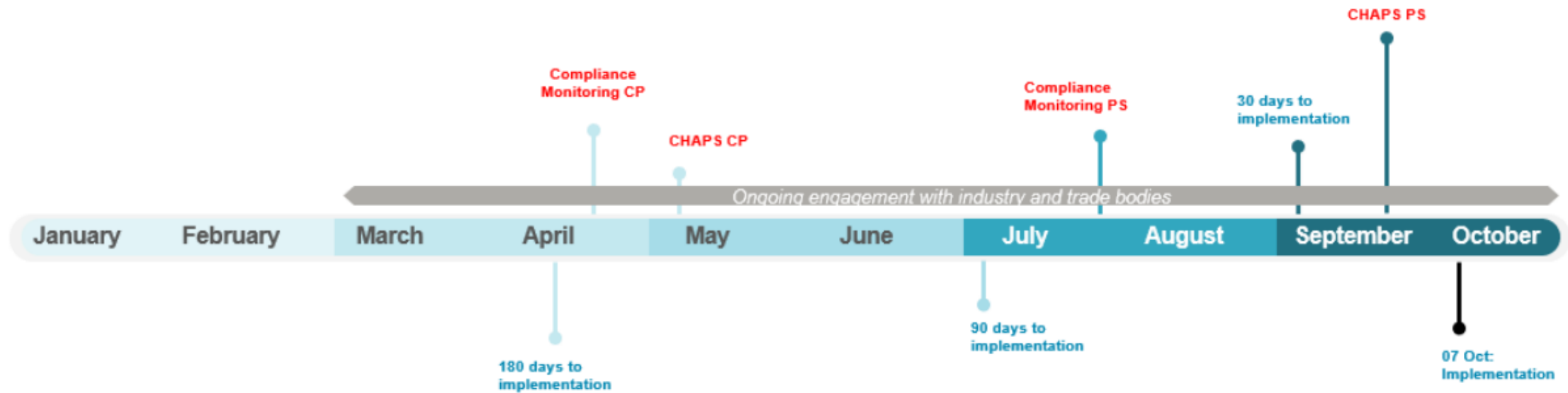
We have aligned our definition of vulnerability with the FCA's so firms are working towards a single definition.

‘A vulnerable customer is someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care.’

This is not a blanket exception for all customers who show characteristics of vulnerability. For the purposes of reimbursement, Sending firms should assess the extent to which the customers vulnerability (whether temporary or enduring) led them to be defrauded. **This is a subjective assessment. We expect sending firms to evaluate each customers circumstances on a case by a case basis.**

Next steps

PSR timeline

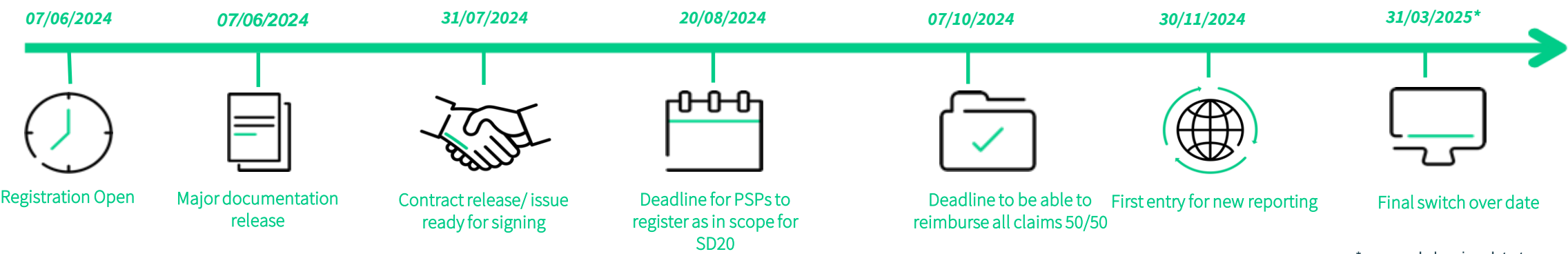




APP Reimbursement: PSR Industry Engagement Session

- 3 June 2024

APPR Customer Milestones



*assumed planning data to support the 1 May deadline currently under consultation by PSR

APPR – Starting the journey – Digital First

Sign up for the campaign by sending an email to CBDO@wearepay.uk
Check the website regularly – www.wearepay.uk/app
Attend our monthly Industry Briefing Webinar
Information on the Policy, Rules, Compliance and Solution
Online Registration to notify Pay.UK and PSR that your PSP is in scope of SD20

Reimbursement Claims Management Solution (RCMS) – both versions available for October 7

- RCMS Core –Directory Access + functionality to provide Reporting Standard A data to Pay.UK as required by the PSR
- RCMS Core + Claims Management –RCMS Core + access to a claims management system.

Connectivity Options

- API – Readiness tracking of required build will be necessary. Formal onboarding and testing approach deployed.
- Webhosted secure UI – Fully digital end-to-end onboarding process

Contracting Framework for RCMS

Two separate contracts; one for RCMS Core and a second for RCMS Core + Claims Management.

Support Channels for Customers with higher needs – API, high fraud incidence, FPS direct participants, IAPs

Inbound customer desk

Account management team

Outbound telemarketing

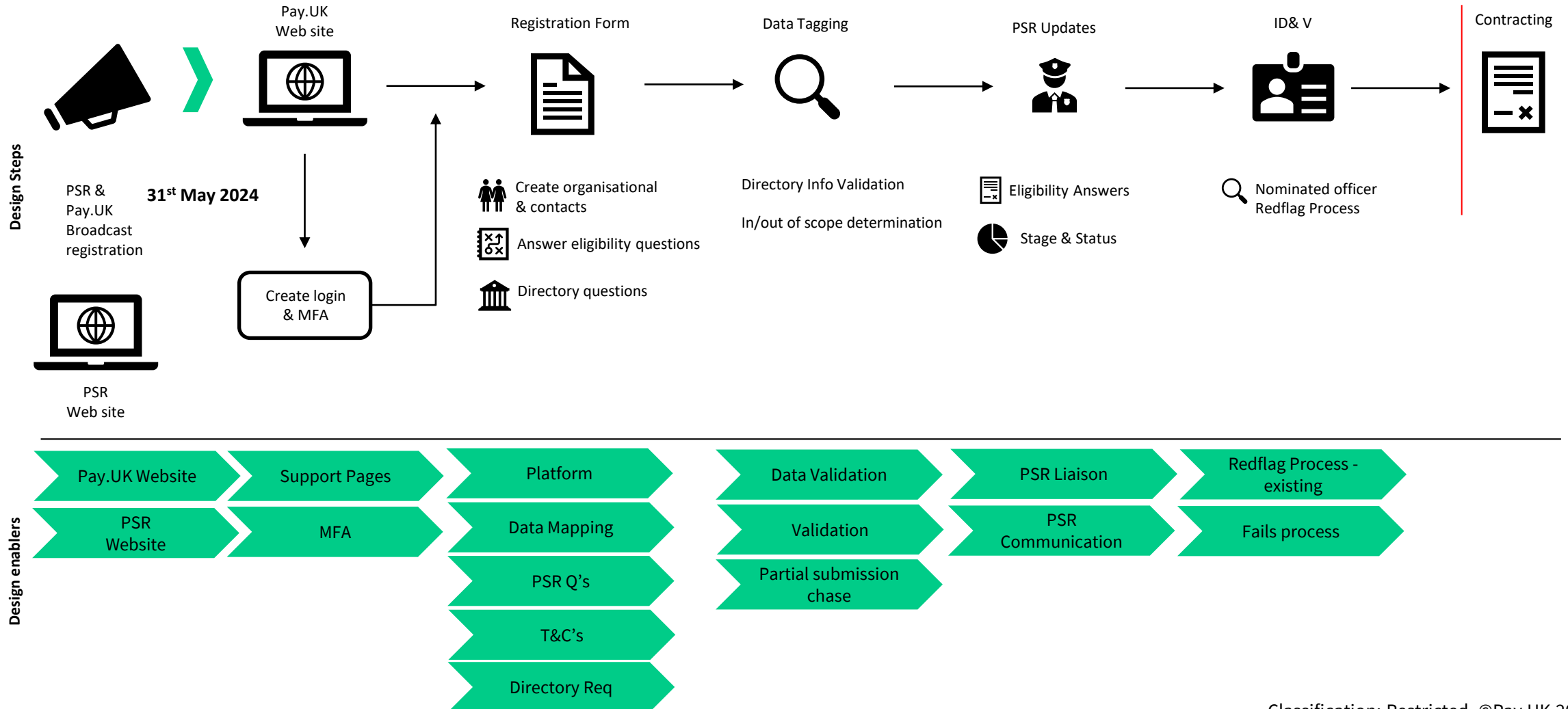
Working groups - legal, tech, readiness/testing

1.
Registration

Registration process Summary – Design Level 1

Design Principle & Orientation

The interface will be well designed, easy to navigate but the collection of clean accurate verifiable data is the purpose. Anything required to operate or serve the downstream processes, needs to be captured here.



Thank you for your
participation in these sessions
– Our engagement is
evolving and we are
transitioning to more focused
workshops