

Consultation paper

Faster Payments APP scams: Changing the maximum level of reimbursement

September 2024

We welcome your views on this consultation. If you would like to provide comments, please send these to us by **1pm on 18 September 2024**. We welcome responses through written responses to appscams@psr.org.uk. In acknowledgement of the relatively tight timeframe between the publication of this consultation, and the date it closes, should you wish to arrange a meeting to discuss your views on the proposal set out in lieu of submitting a written response, we are open to considering such requests. Please email appscams@psr.org.uk.

We will consider your comments when preparing our response to this consultation.

We may make all non-confidential responses to this consultation available for public inspection.

We will not regard a standard confidentiality statement in an email message as a request for non-disclosure. If you want to claim commercial confidentiality over specific items in your response, you must identify those specific items which you claim to be commercially confidential. We may nonetheless be required to disclose all responses which include information marked as confidential in order to meet legal obligations, in particular if we are asked to disclose a confidential response under the Freedom of Information Act 2000. We will endeavour to consult you if we receive such a request. Any decision we make not to disclose a response can be reviewed by the Information Commissioner and the Information Rights Tribunal.

You can download this consultation paper from our website:

www.psr.org.uk/cp24-11-app-scams-reimbursement-maximum-level/

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1 Executive summary

- 1.1** This consultation sets out our proposal to change the maximum level of reimbursement for the Faster Payments authorised push payment (APP) scams reimbursement requirement, for the 7 October 2024 policy start date. We are proposing to implement the policy with an initial maximum level of reimbursement set at the Financial Services Compensation Scheme (FSCS) reimbursement limit, which is currently £85,000 per Faster Payments APP scam claim.
- 1.2** We are not proposing any other changes to the policy or to the implementation date itself – the start date for the policy remains 7 October 2024.
- 1.3** Reducing APP fraud and the resulting consumer harm is a strategic priority for the PSR. Protecting consumers and driving fraud out of payments is essential to ensuring that the UK's payment systems are trusted, safe and secure. In December 2023, we published our [policy statement](#) and legal instruments ([Specific Direction 19](#), [Specific Direction 20](#) and [Specific Requirement 1](#)¹) creating requirements for Faster Payments participants to reimburse victims of APP scams. Our requirements, which come into effect on 7 October 2024, will:
- provide greater protections to consumers using Faster Payments, driving increased trust and confidence²
 - make sure payment service providers (PSPs) have the right incentives in place to drive fraud out of their systems
 - support growth and innovation in the UK payments industry through increasing trust and confidence.
- 1.4** The requirements set out in our Policy Statement are that PSPs must reimburse their customers when they are victims of a Faster Payments APP scam that falls within scope of those requirements (that is, in that December 2023 policy statement, up to a claim value of £415,000, shared between the sending and receiving PSP(s)). Firms may reimburse above this level if they choose to do so.
- 1.5** We've already seen positive changes from many PSPs seeking to improve their fraud protections, on both the sending and receiving side. This means consumers are already starting to benefit from the incoming changes.
- 1.6** However, we have also heard feedback from some stakeholders about the risks and impacts of the maximum level of reimbursement, in particular prudential concerns for some smaller firms in the market. Recognising the importance of effective implementation, our pre-implementation work on the incidence and impact of high-value scams, and following our consideration of the concerns we have heard, we think it is appropriate to consult on a change to the maximum level of reimbursement.

1 These instruments were subsequently updated following PS24/3 in July 2024, and the links provided in this document are to the versions currently in force.

2 We are also working with the Bank of England to support the implementation of a reimbursement requirement for CHAPS.

- 1.7** We propose to start the policy with an initial maximum level of reimbursement which is set at the FSCS limit – currently £85,000. This is a number that is familiar to consumers and will ensure that the vast majority of consumers continue to be reimbursed under the Faster Payments APP scams reimbursement policy, from 7 October 2024. Under the proposed limit of £85,000 (per Faster Payments APP scam claim), 99.8% of all APP scam cases would still fall below the limit, and around 90% of total APP scams value would be reimbursed under our policy. Setting the maximum reimbursement limit at this level will still provide world-leading protections for UK consumers.
- 1.8** The limit will change to track any revisions to the FSCS limit. The PSR will also review the effectiveness and impact of the FSCS limit being the maximum level of reimbursement after the policy has been in place for 12 months, as part of the evaluation work that we have already committed to. We will continue to collect data to support us with this ongoing work, as we have done in the lead up to the 7 October 2024 policy start date.
- 1.9** It is our view that this approach will ensure that we and industry can deliver timely and effective consumer protections from Faster Payments APP scams, which would address the vast majority of APP scams experienced by consumers, while mitigating concerns we have heard about the potential risks and impacts of our original approach to start the maximum level of reimbursement at £415,000 per Faster Payments APP scams claim.
- 1.10** Our reimbursement requirements represent a significant shift to substantially improve consumer protections and impose significant demands on PSPs. For large firms who have been operating under the voluntary CRM code for a number of years, the adjustment will be less material. But some smaller firms have a much bigger adjustment to make. They will need to invest in and operationalise greater systems and controls for managing fraud risk. It is vital for consumer protection and confidence in Faster Payments that they do this, but we acknowledge that PSPs will need to continue to work to refine their systems and processes to develop the most effective fraud detection and prevention approaches. We know many PSPs are already making improvements and we have worked extensively to support industry readiness. We recognise the work that PSPs in scope of the requirements are undergoing to be ready for the start date, and we are grateful for their ongoing efforts.
- 1.11** Our work to review the incidence and impact of high-value scams and our ongoing work with the FCA (which has been monitoring the potential impact of the limit on the solvency position of firms) has led us to propose a change to the initial maximum level of reimbursement. The key reasons are:
- almost all high-value scams are made up of multiple smaller transactions, reducing the effectiveness of transaction limits as a tool to manage exposure
 - we have heard and are listening to the concerns expressed by some in-scope PSPs about the impact of the limit on their solvency position – particularly smaller PSPs
 - we have been working extensively with the FCA to understand the impact of the current maximum level of reimbursement on the prudential capabilities of firms. Analysis of PSR APP scams data by the FCA indicates that there are a small number of firms who could be at risk of financial pressure. The number of firms has increased compared to last year's analysis. A maximum claim limit of £85,000 is likely to reduce firms' prudential risk (relative to the current £415,000 limit), which could reduce the costs associated with the risks of reduced competition and innovation in the provision of payment services, and the overall cost of the proposed APP scams policy.

- 1.12** We are content that our proposed approach strikes the appropriate balance between ensuring the vast majority of consumers are protected under the Faster Payments APP scams reimbursement policy from the policy start date of 7 October 2024, incentivising firms to implement strong anti-fraud measures, and managing the potential risks and impact on firms.
- 1.13** We have completed considerable work with parties to support their readiness for 7 October 2024, including contributing to multiple workshops and engaging bilaterally. We will continue to actively support effective implementation, both before and after the implementation date.
- 1.14** The Bank of England (the Bank), as the operator of CHAPS, has considered the case for retaining the maximum level of reimbursement for CHAPS at £415,000 or moving to align with our proposed limit for Faster Payments of £85,000. On balance, the Bank considers that it would be appropriate to adjust the CHAPS maximum level of reimbursement to the FSCS limit of £85,000 if – following this consultation – this is the position we adopt for the initial maximum level of reimbursement for Faster Payments.
- 1.15** We have set out:
- a summary of the findings from our review of high-value scams in chapter 3
 - our proposal for the initial maximum reimbursement limit for the Faster Payments APP scams reimbursement requirement in chapter 4
 - our proportionality assessment in chapter 5
 - our draft cost benefit analysis (CBA) which has been published alongside this consultation.

2 Introduction

In this chapter, we provide:

- the background to this consultation
 - an overview of our previous consultations on this topic
 - an overview of the feedback we have received from stakeholders on the maximum level of reimbursement since we finalised the Faster Payments APP scams reimbursement policy in December 2023 and our pre-implementation work on high-value scams
 - our proposal to change the maximum level of reimbursement, for the policy start date of 7 October 2024.
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Background

- 2.1** In September 2022, as part of [CP22/4 Authorised push payment \(APP\) scams: requiring reimbursement](#), we consulted on having no maximum level of reimbursement per Faster Payments APP scams claim, mirroring the current approach under the Contingent Reimbursement Model (CRM) Code. We heard concerns from stakeholders about the risks that this would introduce, and, following consultation on options, confirmed a limit of £415,000 per claim for Faster Payments.
- 2.2** Recognising the particularly high level of feedback we received on the level of the maximum claim limit, and the difficult trade-offs involved, in [PS23/4 Fighting authorised push payment scams: final decision](#) we committed to monitoring the incidence and impact of high-value scams before the policy start date and to reviewing the evidence to assess whether there is a need to change the Faster Payments APP scams maximum level of reimbursement. For the purposes of our monitoring work, we considered “high-value scams” to be closed APP scams cases with a total value above £85,000. We have now completed this work, and the findings are in chapter 3.
- 2.3** Our work monitoring the incidence and impact of high-value scams included seeking data and information from industry on high-value scams and their potential impact. We received data from the 15 largest firms in the UK, covering above 95% of Faster Payments by value and volume. The data they provided covers Faster Payments and ‘on-us’³ payments made as part of high-value scams. We also undertook consumer research into the impact of high-value scams.
- 2.4** We have continued to work closely with stakeholders in the lead up to the policy start date of 7 October 2024. As part of this engagement, we have heard clearly from some stakeholders that implementing a policy of this size and nature is significant. We recognise and are grateful for the substantial and ongoing efforts of PSPs in scope of the requirements to be ready to deliver the policy for the start date.

3 These are transactions where the payer and payee (i.e. the debit account and the credit account) are held at the same financial institution and the funds are transferred internally without needing to go through external networks.

- 2.5** In particular, we have heard growing concerns around the potential impacts of the confirmed maximum level of reimbursement of £415,000 per Faster Payments APP scam claim on some PSPs. Many PSPs are reliant on investor funding. This makes them potentially vulnerable to economic conditions. Therefore, managing prudential risk is all the more important. We have heard concerns from some PSPs, including in respect of prudential risk, their ability to maintain their capital requirements, the cost of capital and availability of investment, and the competitiveness of UK payment firms. It is important that we continue to face into these challenges and work collaboratively to resolve them, in the interests of the UK payments sector and its service-users. Changing the incentives on PSPs will prevent fraud, benefitting consumers, PSPs, and society more broadly.
- 2.6** We have also continued to work closely with the FCA in the lead-up to the policy start date. This includes our pre-implementation work to monitor the impact of high-value scams. The FCA has been monitoring and assessing the potential impact of the maximum level of reimbursement on the prudential position and risks to in-scope PSPs in the context of the current market and investment conditions. These insights have informed the proposal in this consultation paper.
- 2.7** Recognising the importance of effective implementation from the policy start date and our consideration of the concerns we have heard over the last few months alongside further consideration of the potential benefits, risks and impacts to both PSPs and consumers, we are now consulting on a change to the maximum level of reimbursement.
- 2.8** We are proposing to implement the Faster Payments APP scams reimbursement requirement with an initial maximum level set at the FSCS limit, currently £85,000, and the limit would track any changes to the FSCS limit. We would keep this approach under review. The first formal review would take place as part of our post-implementation review, after the policy has been in place for 12 months. In the meantime, we would monitor the impact of these changes and make adjustments if necessary. Our proposal is set out in detail in chapter 4 of this consultation paper.
- 2.9** The deadline to respond to this consultation is **1pm on 18 September 2024**. We welcome written responses to appscams@psr.org.uk. In acknowledgement of the relatively tight timeframe between the publication of this consultation, and the date it closes, should you wish to discuss your views on the proposal set out in lieu of submitting a written response, we are open to considering such requests. Please email appscams@psr.org.uk.
- 2.10** Following this consultation, by the end of September 2024, we intend to publish our policy statement that will contain our decision on the implementation approach for the maximum level of reimbursement for the Faster Payments APP scams reimbursement requirement, ahead of the policy start date of 7 October 2024.

3 The findings of our pre-implementation review

This chapter sets out the headline findings from our analysis of the data received on the impact of high-value scams on receiving and sending firms, consumers, and on competition.

We received data on high-value scams from the 15 UK largest firms, representing above 95% of Faster Payments transactions. The data we received is supplemented by the feedback we have received from stakeholders in recent months on the impact of the originally proposed £415,000 maximum level of reimbursement, including from both smaller and larger PSPs.

The data that we have analysed from these firms shows that the overall number of high-value APP scam cases is low, but the majority of these cases involve multiple payments of smaller amounts, reducing the effectiveness of transaction limits as a tool to manage exposure.

The data we collected

3.1 Earlier this year, we sent a data request to Measure 1 directed firms⁴ (the 14 biggest banking groups in the UK) seeking information on Faster Payments APP scams cases which were closed within 2023 or in April 2024, and occurred in the UK across Faster Payments. We also received data from one non-directed PSP as part of our monitoring.

3.2 The data provided by these PSPs involved:

- APP scams cases above £85,000 in total value, broken down by payment value(s), funds recovered or partially recovered, and receiving PSPs involved in the case
- the volume and value of APP scams cases where one or more payments were above £85,000, as a proportion of all Faster Payments transactions above £85,000
- the volume of attempted fraudulent payments above £85,000 which were stopped, including qualitative data on the specific actions taken by the PSP to stop this payment and who stopped the payment (e.g. the sending PSP, receiving PSP, customer, or other source).

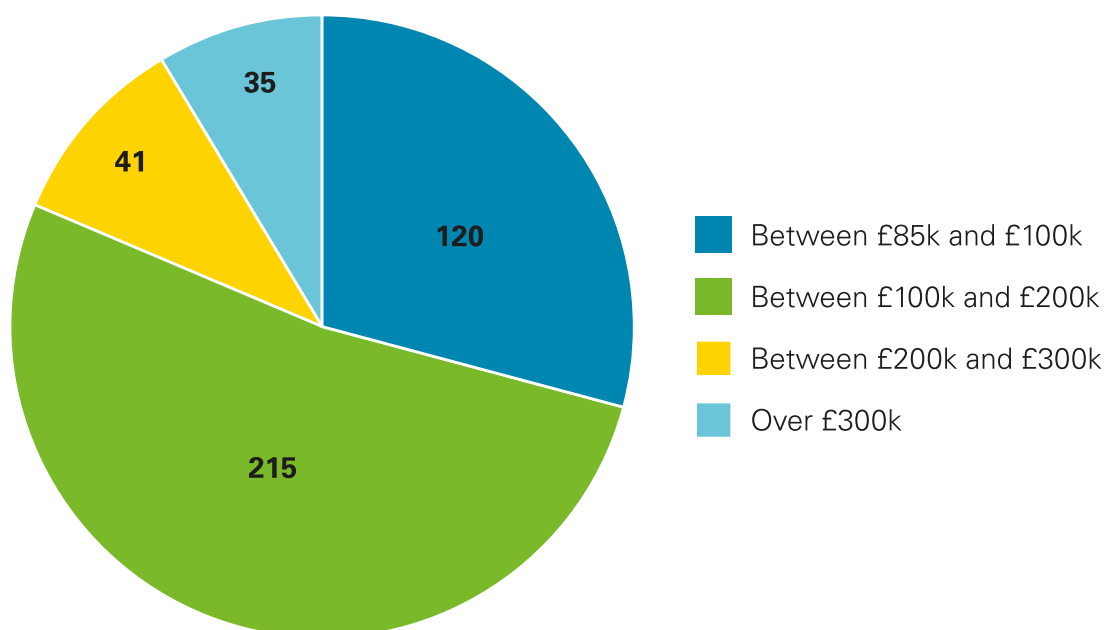
4 See <https://www.psr.org.uk/information-for-consumers/app-fraud-performance-data/>

Key findings

Impact of high-value fraud on firms

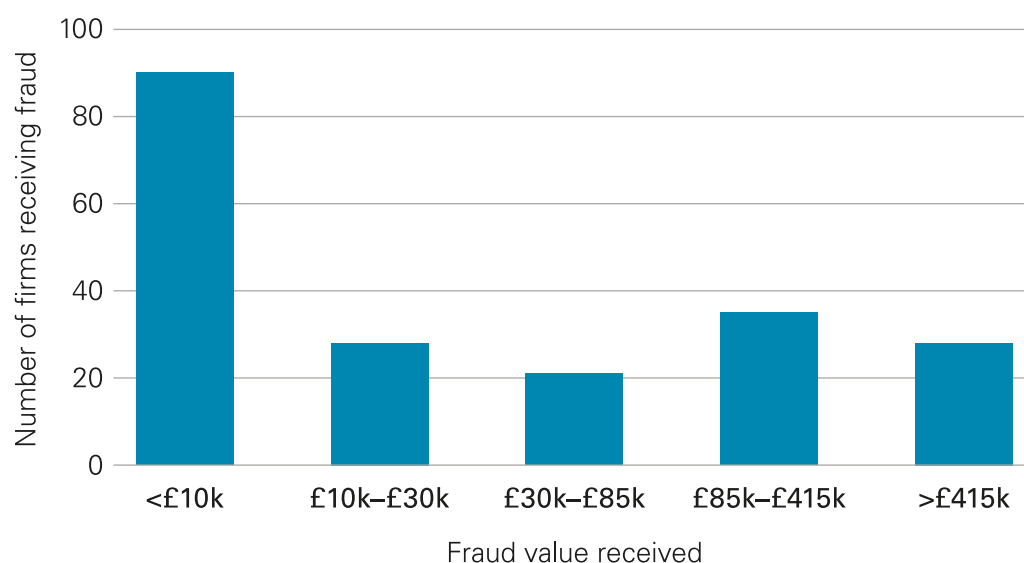
- 3.3 The likelihood of a small PSP receiving a high-value scam is low,** because the overall volume of high-value APP scams is low. There were 4.5 billion Faster Payments transactions in 2023, of which 417,459 were involved in APP scam cases. The 15 PSPs who provided us with data reported just 411 cases with a value of over £85,000, and just 18 cases with a value of over £415,000, in 2023.
- 3.4** In total, 55 PSPs were involved in these 411 cases, either as the sending or receiving PSP, totalling losses of £72 million.⁵ Two of the 15 PSPs who provided data did not receive a single APP scam case with a total value above £85,000 in 2023. Forty-two PSPs outside of the 15 PSPs who provided data received at least one fraudulent payment that was part of a high-value scam in that time, as the fraudster's PSP.
- 3.5** The average value of all APP scams over £85,000 was £175,000.

Figure 1: Illustration of the number of high-value APP scams by total value



- 3.6** While there are more than 900 PSPs operating in Faster Payments, in 2023 only 216 firms received any APP fraud. Outside the 14 Measure 1 directed PSPs, 63 received a total APP fraud value across all claims in the whole of 2023 of over £85,000, and 28 firms received a total fraud value of over £415,000. Under the reimbursement requirement, PSPs will be liable to reimburse 50% of the value of a Faster Payments APP scam claim up to the maximum level of reimbursement, as a sending or receiving PSP.

⁵ Note this £72 million figure cannot be directly compared with our total APP fraud figure of £340 million, as the former is based on data provided by 15 firms and the latter is based on data provided by 14 firms.

Figure 2: Non-directed firms' total APP scam value received in 2023

3.7 There are a small number of PSPs who receive a disproportionately high number of APP scams relative to their smaller size. These PSPs will need to take steps to effectively manage their risks, including ensuring they have effective fraud prevention mechanisms and controls in place. We are keen to drive incentives to ensure that these controls are put in place. Through our work on APP scams, for instance through our performance data publications, we are already starting to see this happen – but other PSPs will need to catch up.

3.8 While non-directed PSPs accounted for just over 8% of all Faster Payments transactions received by volume in 2023, our performance data shows that they received 53% of all fraudulent transactions. Four small PSPs are in the top 20 receivers of fraud. Their fraud rate is 20 times that of the largest PSPs:

Table 1: Average fraud rates by PSP size (number of APP scam payments per million Faster Payments transactions)

PSP size – volume of consumer Faster Payments transactions received	No. of PSPs	Total volume of APP scam payments	Average fraud rate
Between 1m and 10m	4	33,122	2,057
Between 10m and 100m	6	117,893	1,062
Greater than 100m	10	248,099	106

3.9 For the vast majority of high-value Faster Payments APP scam cases, data shows that these were made up of multiple payments of smaller amounts. Data shows that of the 411 reported cases with a value over £85,000, 98% comprised multiple payments. Fifty-five percent of those cases involved multiple receiving PSPs.

3.10 In 2023, there were 402 high-value cases involving multiple payments, compared to just nine which involved a single payment. 230 high-value cases involved ten or more payments. Individual payments ranged from as low as £0.01, to as high as over £300,000. Average payments per transaction in such cases ranged between £3,000 and £5,000. We have heard from PSPs that claims involving multiple payments can span many months, sometimes years, before an APP scam claim is made. Some specific examples highlight these points:

- one case involved 2,206 payments as part of a single APP scam
- one case that closed in April 2024 totalled over £236,000 and comprised 113 individual payments ranging from £310 to £24,000, with payments made to six different payees over three years. The customer was convinced to transfer money to help return gold from an investment.

Actions PSPs can take

3.11 In our final policy statement in December 2023, [*PS23/4 Fighting authorised push-payment scams: final decision*](#)⁶, we set out a number of steps that PSPs can take to mitigate APP scam risks, including setting appropriate transaction limits, improving ‘know your customer’ controls, strengthening transaction-monitoring systems and stopping or freezing payments that PSPs consider to be suspicious for further investigation. We accept that multiple low-value payments make implementing transaction limits less effective in preventing high-value scams. We also understand that smaller PSPs often have no, or higher, outbound transaction limits. However, multiple payments can also provide PSPs with more opportunities to spot suspicious transaction patterns and prevent further payments from occurring.

3.12 Currently, the CRM Code means there is an unlimited liability on participating PSPs where cases are eligible for reimbursement, so PSPs who have signed up to the CRM Code have typically already taken some steps to mitigate risks by putting in place APP fraud prevention measures. Our APP scams reimbursement requirement will be the first time that some of the smaller PSPs will face a similar liability and be incentivised to take active steps to prevent APP scams. It will also be the first time that receiving firms will be liable for reimbursement.

3.13 The FCA has published key findings from its reviews of firms’ systems and controls against money-mule activity. It has also published a review on how firms mitigate the risks of APP scams. Both publications offer PSPs examples of good practice and point out areas for improvement.⁷

3.14 The FCA is still seeing material issues with Payments and E-money firms’ controls which create risks for customers. The FCA’s focus is on ensuring that firms address these risks. It is also working to ensure the Consumer Duty is fully embedded in the sector.

⁶ [*PS23/4 Fighting authorised push-payment scams: final decision*](#)

⁷ FCA, [*Proceeds of fraud – Detecting and preventing money mules*](#) (November 2023) and FCA, [*Reducing and preventing financial crime*](#) (February 2024).

- 3.15** We believe that taking the steps recommended by the FCA can significantly improve systems and processes, strengthening the ability of firms to detect and prevent fraud, including APP scams. Putting in place better controls will also minimise the impact of the reimbursement requirement on firms. The FCA's recommendations include strengthening controls during onboarding, improving transaction monitoring to detect suspicious activity, and optimising reporting mechanisms to allow for swift action. In addition, if a PSP considers a suspicious payment order for further investigation, it can refuse to execute the payment order where its terms and conditions have not been met, or where the execution of the payment would be unlawful under regulation 82 of the Payment Services Regulations 2017, as the FCA's published guidance indicates.
- 3.16** Of 94 fraudulent attempted individual payments over £85,000 in April 2024, **85 were stopped** – either directly by the bank or by the customer following a bank intervention, based on data from the 15 largest firms in the UK. Responses to our information request suggest manual interventions may be more effective than online or automated warnings. One firm said 'all fraud cases over £100,000 are subject to manual deep dives to consider opportunities to amend existing detection rules [and] operational processes to increase protection for our customers.'
- 3.17** A number of PSPs have introduced or are in the process of introducing Confirmation of Payee (CoP), which now covers 99% of Faster Payments. This not only provides added protection against scams but can also provide new data insights to help detect fraud. For example, according to Form3, a payment that fails a CoP check is **25 times more likely** to be a scam than one that does not.⁸ By October 2024, nearly 400 PSPs will offer CoP.
- 3.18** We have observed a significant increase in fraud prevention products and services as well as examples of firms developing solutions in-house. Several of these resources have been developed in direct response to our new requirements and will play an important role in reducing the number of consumers who fall victim to an APP scam.
- 3.19** Examples of systems and products available to PSPs include:
- products that analyse each individual's unique banking behaviour to identify signs of duress and coercion
 - behavioural biometric products that analyse typing speeds, swipe patterns, and so on
 - new services that provide banks with real-time indications that a customer may be under the influence of a scammer – for example, because they are on the phone while making a payment
 - various other AI tools, including machine learning.
- 3.20** Data and intelligence sharing is key to fraud detection. Examples of new pilots and initiatives we are aware of include:
- Pay.UK has [announced results](#) of a new fraud detection and prevention pilot that shows an average 40% uplift in fraud detection.
 - Cifas has a national fraud database and is launching a new information-sharing system – allowing firms to check whether their existing customers have previously been APP scam victims.

8 Form3, [The PSR Mandate: Enhancing Payment Security in the UK with Confirmation of Payee](#) (September 2023).

- 3.21** Despite these tools being available to PSPs, we are aware of concerns among some smaller PSPs, in particular about a maximum limit that is deemed too high to be manageable or too high to mitigate risks of insolvency, and we have received significant feedback on this. These concerns include on the cost of capital, the availability of investment, and the overall competitiveness of UK fintech. We recognise the significant challenge that the requirements may pose to some PSPs, who must manage the risks to their customers along with the resulting liability if they fail to protect them from this harm. We remain focused on ensuring effective and timely consumer reimbursement from the policy start date of 7 October 2024, in line with the policy requirements and outcomes.
- 3.22** An overview of some of the feedback we have received is in table 2.

Table 2: Summary of concerns we have heard from PSPs

Concerns raised	What this means for PSPs
Prudential concerns	Some PSPs have expressed the view that £415,000 is an amount close to or above their typical capital holding, impacting the amount of capital they would need to hold to cover their potential liability reimbursement under the policy, and creating the potential for loss-making or market exits. These PSPs would be, and remain, liable for 50% of the fraud as either the sending or receiving PSP.
Ability to raise investment	It has been argued that a higher level of liability on PSPs makes it more difficult to attract investment and funding, due to the risk of higher reimbursement. More widely, it has been argued that this could have an impact on the overall competitiveness of UK fintech.
Ability to invest in fraud prevention	PSPs have suggested that increased liability may impact on the funds they are able to allocate to investments in anti-fraud measures.
Ability to compete with larger firms	Smaller PSPs have contended that a high maximum limit could disproportionately affect them as they will have to take greater steps to manage this risk, for example through lower transaction limits.
Proportionality and consistency	Some PSPs argued that the limit lacks proportionality to average claim figures and removes incentives for consumer caution.

- 3.23** We want to create incentives for both sending and receiving PSPs to prevent as many APP scams as possible, and we have seen evidence of many firms already taking action. It is therefore our view that our requirements are already starting to work well to incentivise them. However, we do recognise and acknowledge the concerns expressed in respect of the current maximum level of reimbursement of £415,000.

3.24 We have been working extensively with the FCA (and continue to) to understand the impact of the current maximum level of reimbursement on the prudential capabilities of PSPs. In February this year, the FCA set out areas of focus where further collaborative effort can help make a difference to how firms can manage prudential risk. These include:

- reviewing systems and controls to ensure they keep up with the increasing sophistication of criminal groups and advances in technologies
- improving data sharing and collaboration to have a more informed view of fraud threats
- increasing consumer awareness of the fraud risks relevant to the business firms do with them, to support and educate customers on how to spot signs of fraud
- evaluating the effectiveness of prevention measures to allow firms to be clear on the impact of their interventions.

3.25 As part of its work, the FCA has identified a number of firms who could be at risk based on the current maximum level of reimbursement, should a number of high-value APP scams occur which they would be required to reimburse, in line with our requirement. This includes smaller PSPs with lower capital requirements. The number of firms has increased compared to last year's analysis. We continue to work closely with the FCA to ensure that at-risk firms are aware of their likely future liabilities and are taking steps to improve their APP fraud detection and prevention measures.

Impact of high-value APP fraud on consumers

3.26 **Consumer trust in PSPs and making payments is significantly impacted if they become a victim of APP fraud – and that urgent action is needed to protect consumers from becoming victims.** It is estimated that one in three consumers has been a victim of APP fraud.⁹ As part of our strategy, we consider that it is important that consumers are protected when making payments, and that systems meet user needs. Where consumer trust in PSPs is impacted, this can have wider effects on competition and innovation in the sector.

3.27 In July 2024, survey organisation Thinks! conducted a survey of consumers on behalf of the PSR. Of those we surveyed who had experienced APP fraud:

- 19% were less confident to making online payments via bank transfer
- 32% were less confident trying a new payment method
- 24% stopped using certain websites or payment methods
- 48% were less confident buying products and services from retailers they had not heard of
- 28% would be less confident in making an investment in a business
- 10% lost trust in their bank
- 17% of those who received no reimbursement lost trust in their bank
- 41% were less likely to trust social media companies.

⁹ Visa, [The Impact of APP Scams](#) (January 2024).

- 3.28** A maximum level of reimbursement of £415,000 per Faster Payments APP scam claim would protect consumers from about 98% of APP scams by value. A maximum level of £85,000 would protect consumers from around 90% of APP scams by value – a difference of 8% or c.£30m. We note that some stakeholders have previously proposed a cap of £30,000, both in our consultation last year and in subsequent engagement. This would exclude a significant number of victims from fully recovering losses and create significant harm to those victims defrauded by greater amounts. We have previously signalled that a limit of £30,000 would therefore not achieve the objectives of our policy or our strategy and we have therefore not considered this option in this consultation.

Table 3: Value of APP scams protected under proposed and initial maximum levels of reimbursement

Max claim value	Value of APP scams protected
£30,000	< 83%
£85,000	90%
£415,000	98%

- 3.29** As we have set out in previous consultations, APP scam victims will retain their existing rights under the FCA Handbook to raise one or more complaints with their own PSP (i.e. the sending PSP) and the receiving PSP if they consider they have suffered losses because of their acts or omissions. They also retain their rights to refer any complaint to the Financial Ombudsman Service (FOS) if they remain unsatisfied by the firm's response.
- 3.30** Specifically, APP scam victims currently have the right to make complaints to sending and receiving PSPs where they think their acts or omissions have caused them to suffer damage. Those rights are separate from their rights under the reimbursement requirement and consumers will continue to have them after it comes into effect. We have previously pointed out that sometimes multiple complaints may properly be brought in respect of the circumstances arising from a single APP scam. The right to bring these complaints and to refer them to the FOS is not affected by the reimbursement requirement nor by any claim made or paid under it. But the consumer's ability to demonstrate any outstanding financial loss will normally be diminished to the extent of the reimbursement they receive under the requirement.
- 3.31** Consumers who wish to make a claim for reimbursement under the reimbursement requirement would still be expected to first pursue reimbursement from their PSP (in line with the reimbursement requirement). Should the consumer be unhappy with the outcome of their claim, they may complain to the Financial Ombudsman Service (FOS) that the PSP has failed to pay the reimbursement due to them. Or they may consider pursuing action in the civil courts.
- 3.32** Reducing the maximum claim limit under our requirement is likely to increase the number of complaints made to the FOS, as more scam losses will not be fully reimbursed that way. Consumers who have not been fully reimbursed may decide to bring complaints against sending and/or receiving PSPs based on alleged faults in their services to try to recover that part of their scam losses that has not been reimbursed under the requirement. As our

analysis above shows, there were 393 scams between £85,000 and £415,000 sent by the largest 15 firms in 2023. While it is unlikely all of those would result in complaints to the FOS, this gives an indication of the potential increase in FOS referrals as compared to the number to be expected if the claim limit were set at £415,000.

3.33 The proposed maximum level of reimbursement under our requirements is significantly less than the FOS's current award limit of £430,000 on a single complaint under the dispute resolution rules (DISP).¹⁰ PSPs should therefore inform victims of APP scams that, in addition to their right to seek reimbursement under the reimbursement rules, they have the right to bring complaints against sending and receiving PSPs if they are dissatisfied with their conduct and consider this has caused their loss. Such complaints may ultimately be referred to the FOS.

3.34 Although the FOS can make an award against the receiving PSP if the victim makes a complaint that it was at fault, more commonly the victim would make a complaint only to their own PSP (the sending PSP). In those cases, the sending PSP will tend to be ultimately liable for a greater share of the amount lost (if the FOS upholds the complaint). For example, for an APP scam of £450,000, where the sending PSP upholds the claim for reimbursement and the sending PSP or FOS also upholds the consumer's fault-based complaint against the sending PSP for the balance of their loss:

- With a maximum reimbursement claim limit of £415,000, the sending firm is potentially liable for **£242,500** (£207,500 under our policy plus £35,000 redress on the fault-based complaint). So, the loss is likely to be shared between the sending and receiving PSPs in the amounts of £242,500 and £207,500, respectively.
- With a reimbursement limit of £85,000, the sending firm is potentially liable for **£407,500** (£42,500 under our policy plus £365,000 on the fault-based complaint). So the loss is ultimately shared between the sending and receiving PSPs in the amounts of £407,500 and £42,500, respectively.¹⁰

Impact of high-value fraud on competition

3.35 Use of Faster Payments is increasing, as is the proportion of Faster Payments transactions involving smaller banks and payment institutions:

- Use of Faster Payments has increased year-on-year, with 4.5 billion transactions totalling £3.7 trillion reported in 2023.¹¹
- The proportion of Faster Payments transactions received by firms outside the largest 14 banking groups has increased by 2% since 2022.¹² While this growth is a welcome development in driving competition, and smaller PSPs make up a larger proportion of the market, it has also led to an increase in APP scams involving these PSPs.
- APP scam transactions make up 0.009% of Faster Payments transactions by volume.¹³
- Some PSPs have expressed that they will seek alternative payment systems as a result of the potential impacts of the policy.

¹⁰ These figures don't factor in any excess applied (which can be up to £100 across the two PSPs).

¹¹ Pay.UK, [Faster Payment System statistics](#) (July 2024).

¹² PSR, [APP scams performance report](#) (July 2024).

¹³ Based on Pay.UK Faster Payment System statistics and UK Finance Annual Fraud Report 2024.

- 3.36** We continue to hear feedback, particularly from smaller PSPs, that the current maximum level of reimbursement will affect their ability to compete with larger PSPs. This is largely focused on the need for smaller PSPs to onboard customers – at the risk of conducting less stringent checks – and the perception that our policy will place a greater need on firms to invest in fraud controls, as opposed to offering innovative products. As mentioned earlier, smaller PSPs will often have higher transaction limits than larger PSPs.
- 3.37** We continue to work closely with the FCA to ensure that at-risk PSPs are aware of their potential future liabilities and are taking steps to improve their APP fraud detection and prevention measures. We propose to reduce the maximum reimbursement limit in response to the concerns we have heard from the industry and will continue to seek to understand the impact of policy on prudential risk.
- 3.38** The data provided, on both APP scam cases and transactions above £85,000, shows that the instances of high-value APP scams fraud are low. We think it is important that PSPs act on fraud to support a competitive market which is safe for end-users and we will continue to work with the industry and the FCA to limit the number and impact of high-value APP scams.
- 3.39** We are keen to ensure that the maximum level of reimbursement drives incentives for firms to invest to protect their customers, while maintaining effective competition in the market. More broadly, as we have set out previously, the policy is designed to impose financial costs on those PSPs that are least effective in preventing fraud against and by their account holders. The potential exit of a firm that performs particularly poorly in this regard does not necessarily reduce effective competition across the market.

4 Our proposal: changing the maximum level of reimbursement

We are proposing to implement the reimbursement requirement with an initial maximum level of reimbursement for Faster Payments set at the FSCS limit, which is currently £85,000, from 7 October 2024. The limit will track any changes to the FSCS limit, but we will also keep it under review.

The vast majority of consumers will continue to be reimbursed through what is a significant consumer protection measure even with this lower initial maximum value, in line with our policy objectives. It will also continue to provide strong incentives for all in-scope PSPs to focus on effective implementation of the policy and to put robust and effective APP scam prevention measures in place.

Consumers with claims above that level may still complain to their own PSP (where applicable) with potential further recourse to the FOS or the courts should they remain unsatisfied.

As part of the evaluation we have already committed to undertaking once the policy has been in place for at least 12 months, we will assess whether any adjustment to the maximum level of reimbursement is required. We will assess the impact of the reimbursement policy, including the maximum claim level and whether and when it can be increased, using the evidence available to us, including what additional controls and measures PSPs have in place to effectively manage the prudential risk and their ability to maintain their capital requirements, the cost of capital and availability of investment.

Our proposal: an initial maximum reimbursement limit of £85,000 per claim

4.1 We remain focused on ensuring effective implementation of the Faster Payments APP scams reimbursement requirement for 7 October 2024. The reimbursement requirement policy will:

- incentivise the payment industry to invest further in end-to-end fraud prevention by requiring every payment service provider (PSP) who sends or receives a reimbursable APP scam payment to meet the cost of reimbursement
- increase customer protections so most victims of APP fraud are swiftly reimbursed, boosting confidence in the UK payment ecosystem
- support us to pursue our long-term ambition for Pay.UK to take on a broader role, including to actively improve the rules.

- 4.2** Our reimbursement requirement represents a significant improvement in consumer protections and significant demands on PSPs. For larger PSPs who have been operating under the voluntary CRM code for a number of years, the adjustment will be less material. But some smaller PSPs will have a much bigger adjustment to make. They will need to invest in and operationalise better systems and controls for managing fraud risk. It is vital for consumer protection and confidence in Faster Payments that they do this, but we acknowledge that some may need some time to adapt to the new requirements, to learn and to refine their systems and processes in order to develop effective fraud detection and prevention approaches. Better controls around fraud prevention will enable them to more effectively manage their prudential risks and secure future investment.
- 4.3** Many firms have already adapted to the incoming requirements and invested in better controls and fraud prevention measures. We want to ensure that the potential risk of disruption as a result of any failure of PSPs is appropriately mitigated. We are already seeing the incentives working, with many PSPs taking significant steps to improve end-to-end fraud prevention.
- 4.4** In our consultation in September 2022, [*CP22/4 Authorised push payment \(APP\) scams: requiring reimbursement*](#) we did not propose any claim limits to reimbursement, in line with the current arrangements under the CRM.
- 4.5** In their responses to our consultation some PSPs raised concerns about the impact of the proposed unlimited liability (for example, on their risk profiles and their ability to attract finance). We listened, and following consultation and extensive engagement with stakeholders, in our December 2023 policy statement [*PS23/4 Fighting authorised push payment scams: final decision*](#), we confirmed that the maximum level of reimbursement would be £415,000 per claim, with the cost to be shared equally between the sending and receiving PSP.
- 4.6** Our rationale for confirming a maximum reimbursement level of £415,000 is set out in full in PS23/4. In summary, it was our view that this limit would:
- protect consumers against the vast majority of APP fraud while providing certainty to in-scope PSPs about their potential liability and cost exposure
 - align with the limit on FOS awards.¹⁴
- 4.7** Recognising the difficult trade-offs involved in setting the maximum level, and the feedback we received on this issue, we committed to supplementing our evidence base by monitoring the incidence and impact of high-value APP scams through a pre-implementation review.
- 4.8** We have now completed this review (the findings of which are set out in more detail in chapter 3). As part of this, we have worked closely with the FCA which has been considering and monitoring the potential impact of the maximum level of reimbursement on firms' solvency positions in light of the current market conditions and firms' risk profiles.
- 4.9** Since we confirmed the limit of £415,000 in December 2023, the picture has shifted. The average value of an APP scam is now £1,348, down from £1,732 in 2022. APP scams are now also more broadly spread across smaller PSPs. There is more detail on this in chapter 3.

¹⁴ The limit on Financial Ombudsman Service awards has since increased to £430,000 for claims referred on or after April 2024.

- 4.10** We have heard and are listening to the concerns expressed by some in-scope PSPs – particularly smaller PSPs – about the impact of the limit on their solvency position, prudential risk, firms’ ability to maintain their capital requirements, the cost of capital and availability of investment and the competitiveness of UK firms. It is important that we continue to face into these challenges and work collaboratively to resolve them, in the interests of the UK payments sector and its service-users. Changing the incentives on firms will prevent fraud which will support digital inclusion¹⁵, benefitting consumers, PSPs, and society more broadly. The FCA continues to assess and work with firms who are concerned with this policy.
- 4.11** We need to ensure that our policy appropriately reflects this current position, but there is also a need for urgent action in the interests of consumers. As we have seen more evidence of prudential concerns and the effectiveness of transaction limits, we have taken these considerations into account, and it is now our view that the approach set out in this consultation strikes the right balance.
- 4.12** We must also have appropriately considered the impact that our policy may have on competition in payments more widely, so that it can be implemented effectively in the interests of consumers, and that it mitigates the risks of any potential disruption through any disorderly failure of firms. Our approach is in line with the commitment we made to review the position before the policy start date.
- 4.13** Following our consideration of the impacts of the current limit, the trade-offs, and the risks and impacts of retaining the maximum level of reimbursement at £415,000 from the policy start date of 7 October 2024, we are proposing to change our approach in respect of the initial maximum level of reimbursement, and to set it to the FSCS limit, currently £85,000.
- 4.14** We will implement this through a change to the Notice of Value which is currently [published on our website](#). We have published a draft updated Notice of Value which reflects the proposal we are consulting on, showing the changes we propose to make in tracked changes, alongside this consultation.
- 4.15** This will ensure effective delivery of the policy for 7 October 2024. There are a number of reasons we consider this is an appropriate initial maximum level of reimbursement for Faster Payments, including:
- it still provides strong incentives for all in-scope PSPs to take steps to prevent APP fraud and invest in anti-fraud measures
 - 99.8% of all APP fraud cases will still fall below the limit, and around 90% of APP fraud value will be reimbursed
 - this is a number recognisable to consumers, which will help with consumer understanding and awareness.
- 4.16** In addition, the FOS has the ability to apply additional award limits, where they have a complaint that falls under their wider jurisdiction e.g. Consumer Duty. Therefore, the FOS may consider other bases for handling complaints in line with its current award limit of up to £430,000.

¹⁵ In July 2024 the PSR published the findings of a report we had commissioned into barriers faced by cash-reliant consumers in using digital payments. Some of the key findings were in respect of consumer concerns about fraud and scams. The report can be found here: [barriers-to-using-digital-payments-2024-report.pdf \(psr.org.uk\)](#)

- 4.17** We recognise that while this approach will ensure an effective policy can be delivered for 7 October 2024, there are some trade-offs. Around 8% of APP scams by value that PSPs would have been required to reimburse with the higher limit of £415,000 may not be reimbursed under the proposed lower limit (unless sending PSPs choose to reimburse their consumers over and above the limit (i.e. voluntary reimbursement)).
- 4.18** We also recognise that a change in the limit may mean that there are some additional operational impacts on in-scope PSPs who may need to manually manage and assess any claim that is over a limit of £85,000. We have assessed the costs and benefits of this in the draft CBA published alongside this consultation.
- 4.19** We anticipate that there could be up to an estimated 30 claims per month (based on our data showing 411 cases in the 2023 calendar year) that would be impacted by our proposal. However, we consider it is likely that the number will be lower in the initial months of the policy being in place, because high-value scams often span a number of months and take longer to be reported. We will continue to work closely with Pay.UK and industry to minimise the operational burden and impact of this change.

CHAPS

- 4.20** We will shortly be publishing our policy statement confirming the CHAPS reimbursement requirement. The PSR and the Bank continue to work together to implement this requirement for CHAPS. In December 2023, the Bank confirmed that for consistency with the PSR's approach for Faster Payments it would apply a maximum level of reimbursement for CHAPS payments.
- 4.21** The Bank, as the operator of CHAPS, has considered the case for retaining the maximum level of reimbursement for CHAPS at £415,000 or moving to align with our proposed limit for Faster Payments of £85,000 (set to align with the FSCS limit).
- 4.22** On balance, the Bank considers that it would be appropriate to adjust the CHAPS maximum level of reimbursement to the FSCS limit (currently £85,000) if – following this PSR consultation – this is the position we adopt for the initial maximum level of reimbursement for Faster Payments. In coming to this view, the Bank has focused on the benefits for PSPs and consumers of a maximum level of reimbursement for CHAPS which is consistent with that for Faster Payments, alongside recognising the prudential concerns in relation to smaller firms and the impact this could have on the market for payment services.
- 4.23** Given the volume of CHAPS APP scams (449 in 2023), significantly less data is available to draw conclusions from in terms of the impact on consumers. Based on the limited data currently available, the Bank considers that majority of CHAPS APP scams would be still fully reimbursed under the CHAPS reimbursement rules if the maximum reimbursement level is set at £85,000. But the proportion is likely to be less than that for Faster Payments. Against this background, the Bank notes that consumers may appeal to the FOS if they are unhappy with the outcome of pursuing reimbursement from their PSP (with the current FOS award limit being £430,000).
- 4.24** The Bank would review the maximum level of reimbursement for CHAPS in parallel with our post-implementation review 12 months after implementation. As part of this consultation, it would also be helpful to understand the views of stakeholders on the maximum level of reimbursement for CHAPS (the limit for which is set by the Bank) and Faster Payments.

Consultation questions

Question 1: What are your views on the proposal to change the maximum level of reimbursement from the outset of the policy, to set it to the FSCS limit, which is currently £85,000?

Question 2: What are your views on the impacts (including costs, benefits, and risks) of operationalising an initial maximum limit of £85,000 from 7 October 2024? For example, we'd welcome views on:

- a. the prudential impact on PSPs
- b. any implications arising from any planned or already completed consumer communications activities, that would result from a change in the maximum level of reimbursement
- c. the impact that you consider our proposed approach would have on firms' incentives to put in place effective fraud prevention measures.

Question 3: Do you agree with or otherwise have views on our proportionality assessment and our cost benefit analysis? Do you have any further evidence to provide that is relevant to this analysis?

Question 4: Please provide your views on the Bank's proposed approach to change the maximum level of reimbursement for CHAPS to align with our proposal for Faster Payments (which is to set it to the FSCS limit, currently £85,000).¹⁶

A review of the maximum level of reimbursement after the policy has been in place for 12 months

4.25 We intend to review the Faster Payments APP scams maximum level of reimbursement as part of our overall post-implementation review after the policy has been in place for 12 months. We will use all of the data and information available to us to assess whether any adjustments to the limit are necessary. In the meantime, we will continue to monitor both the effectiveness of the policy and its impact on the payments sector.

4.26 We consider that at least 12 months after the policy has been in place is an appropriate time to undertake a review because:

- it means firms can continue their important focus on effective implementation of the policy from 7 October 2024, in the interests of consumers
- it provides sufficient time for the policy to bed-in and for us to collect data and evidence on the impact of the limit

¹⁶ The PSR may share the responses that we receive to this question with the Bank of England.

- it will deliver certainty to PSPs that the same limit will remain in place for at least 12 months from the policy start date (notwithstanding that we reserve the right to bring any review or consultation forward should there be compelling evidence that requires us to do so)
- it means we can consider the impact of the maximum reimbursement level in the round, alongside our wider evaluation work.

Next steps

- 4.27 This consultation closes at 1pm on 18 September 2024.** Due to the time-sensitive nature of the consultation and the need for us to confirm the maximum level of reimbursement ahead of the policy start date of 7 October 2024, we are unable to accept any requests for additional time to respond. However, we are happy to consider alternative means of receiving input to this consultation. Please email appscams@psr.org.uk should you wish to discuss your views in lieu of providing a written response, and we will consider your request. **For clarity, this consultation relates only to the initial maximum level of reimbursement – the remainder of the policy remains unchanged – and is not subject to this consultation.**
- 4.28** Following our consideration of the responses and input we receive, we will publish our decision on the maximum level of reimbursement that will take effect from 7 October 2024, by the end of September 2024. Should we confirm a change to the maximum level of reimbursement, we will update and publish a new [Maximum claim limit notice of value](#).
- 4.29** We are also aware of the requirements within [Specific Direction 20](#) that all directed PSPs capable of being sending PSPs must have informed their existing consumers of their rights under the FPS reimbursement requirement and reimbursement rules, by 7 October 2024.
- 4.30** We appreciate that any change to the maximum level of reimbursement following this consultation i.e. to set it to the FSCS limit (currently £85,000) has the potential to impact existing or planned communications activities and that some firms may face difficulties communicating the limit to their consumers ahead of the policy start date (should it change following consultation).
- 4.31** Where PSPs have already communicated with their customers about their rights under the policy, we do not expect them to necessarily retract or amend those communications at this stage. However, firms should provide up-to-date information to their consumers in any further communications with them, including, for example, in the information the consumer receives when they make a claim. It is important that consumers have a clear understanding of the key parameters of the policy and how this impacts them.
- 4.32** PSPs should have plans in place to communicate any changes to the maximum level of reimbursement to their customers as soon as practicable, and before any contractual changes come into effect. But we recognise that this may not be possible for all firms ahead of the policy start date. Should we proceed with the proposal set out in this consultation we will also update the information we have published on our website: [APP scams reimbursement information on consumer communications for PSPs](#).

5 Proportionality, cost benefit analysis and equality impact assessment

We have published a draft cost benefit analysis alongside this consultation, which considers the costs, impacts and benefits of our proposal to implement the reimbursement requirement with an initial maximum level of reimbursement set to the FSCS limit which is currently £85,000 with an intention to review the level after the policy has been in place for at least 12 months.

This chapter sets out, for consultation, our current proportionality assessment in respect of our proposed approach to implementation of the maximum level of reimbursement.

- 5.1** Our Faster Payments reimbursement policy is a key consumer protection from APP scams and will both protect consumers and incentivise in-scope PSPs to put effective measures in place to prevent APP scams happening in the first place.
- 5.2** In proposing to implement the reimbursement requirement with an initial maximum limit of £85,000 from the policy start date of 7 October 2024 we are seeking to ensure a proportionate approach to implementation which considers the impact on PSPs of a lower maximum reimbursement limit while still delivering robust and strong consumer protections. In developing the proposal set out in this consultation paper, we have considered both:
- the feedback received from stakeholders in recent months about the impact on them of the current maximum limit of £415,000
 - the data and evidence that we received as part of our pre-implementation review (which includes both data from firms, and consumer research into the impact of high-value scams). This evidence is summarised in chapter 3.
- 5.3** It is our view that implementing the policy with an initial maximum reimbursement limit set to the FSCS limit (currently £85,000) represents a fair and proportionate approach and effectively balances the difficult trade-offs between ensuring that a majority of APP scam victims are reimbursed under the policy, incentivising PSPs to implement robust anti-fraud measures, while recognising the significant impact that preparing for and implementing the policy effectively and consistently for 7 October 2024 has on PSPs.
- 5.4** It remains our priority that consumers are effectively reimbursed from the policy start date of 7 October 2024.

- 5.5** Subject to consultation responses, we currently consider that our proposed initial maximum level of reimbursement appropriately considers and balances the needs of firms and consumers. It will:
- ensure that around 90% of APP fraud value is fully reimbursed to victims, in line with the policy requirements resulting in robust protections for the majority of consumers
 - support effective management of risk – including firms’ prudential risk
 - provide incentives for firms to invest further in fraud prevention measures, including in anticipation of the maximum level of reimbursement potentially increasing in the future.
- 5.6** It is our view that this approach strikes an effective balance between delivering robust consumer protections from the 7 October 2024 start date, while enabling firms to manage their prudential risk, which could reduce the costs associated with the risks of reduced competition and innovation in the provision of payment services.
- 5.7** Whether or not we ultimately decide to revise our approach in line with this consultation document, we will keep the limit under review over time. We will consider the costs, benefits, impacts and risks, and the proportionality of any potential changes as part of the evaluation of the policy that we are committed to undertaking 12 months after the policy has been in place.
- 5.8** In analysing the costs and benefits of the proposal, we have considered:
- the level of PSP liability
 - the ability of the cap to cover the majority of claims
 - the appropriate coverage of all fraud types to incentivise PSP anti-fraud measures
 - the impact on PSP solvency and competition in payments
- 5.9** It is our view that the proposal set out in chapter 4 of this consultation is the least burdensome measure available to us that will enable us to achieve the policy objectives of timely consumer reimbursement, for 7 October 2024 and address the issues we identify in this document. In arriving at this provisional view, we considered the costs vs benefits and our analysis is set out in the draft CBA published alongside this consultation.
- 5.10** The proposed initial maximum level of £85,000 per Faster Payments APP scam claim is set to the current FSCS limit and is familiar to consumers. In addition, while the proposal would result in a lower maximum level of reimbursement, consumers would still have the right to seek recourse through alternative existing mechanisms, such as the FOS should they wish to do so (as set out in Chapter 3) – this acts to mitigate the potential impact to consumers of a lower maximum level of reimbursement.
- 5.11** We recognise that some of the benefits of the proposed change to the policy are not quantifiable. We have set this out in more detail in the draft CBA published alongside this consultation. However, it is our current view that, taken in the round, the overall benefit of the proposed change is warranted, notwithstanding the associated costs, as well as the importance and significance of putting these consumer protections from Faster Payments APP fraud in place as soon as possible, from 7 October 2024.

Equality impact assessment

- 5.12** We completed an equality impact assessment (EIA) as part of the Faster Payments APP scams policy proposals previously consulted upon¹⁷. As part of that assessment, we considered the potential of groups being disproportionately impacted by the maximum level of reimbursement.
- 5.13** We set out that from our available data we know that the likely total number of customers affected by the maximum level of reimbursement will be extremely low. This remains our position. As we have set out in this consultation, should we decide to change the maximum level of reimbursement following this consultation, 8% of Faster Payments APP scams that PSPs would have been required to reimburse with the higher limit of £415,000 may not be reimbursed under the lower limit (unless sending PSPs choose to reimburse their consumers over and above the limit (i.e. voluntary reimbursement)).
- 5.14** We are content that a change to the initial maximum limit of reimbursement is appropriate. This would still ensure that a vast majority of consumers who fall victim to an APP fraud will be reimbursed under the policy.
- 5.15** We intend to review the limit as part of our evaluation work planned for after the policy has been in place for 12 months.
- 5.16** The proposals set out in this consultation paper do not change or impact the EIA previously carried out.

¹⁷ See from page 65 of [PS23/4 Fighting authorised push payment scams: final decision](#)

Annex 1:

Scope of the data

- 1.1** An APP scam occurs when a consumer is deceived into sending a payment. For example:
- a. the person receiving the funds may not be who they say they are
 - b. the funds may not be used for the purposes which the victim transferred the funds for
- 1.2** The data includes Faster Payments and on-us payments (i.e. payments where the sending and receiving account are held at the same PSP) made within closed APP scam cases.
- 1.3** Our data includes APP scams where the victim is a consumer or a small business or charity with an annual income of less than £1 million.
- 1.4** All cases included in the data were closed in 2023 or April 2024 and occurred in the UK across Faster Payments. A closed APP scam case means the directed PSP has completed an investigation of the case and decided whether to reimburse the customer.
- 1.5** The value of APP scam losses presented in this data excludes the amount recovered from each scam case, if any.
- 1.6** If a customer does not agree with the decision of a firm to not reimburse them for a reported APP scam, they can refer the case to the Financial Ombudsman Service. We asked firms to exclude all reimbursements made as a result of FOS rulings, as we consider these are not a true reflection of a firm's own reimbursement policy.
- 1.7** Currently, PSP definitions of an APP scam differ in a number of areas. We have not sought to change firms' decisions on whether a historical case was an APP scam.
- 1.8** This has, however, created some disagreements between sending and receiving firms. For example, the sending firm may record a case as an APP scam and reimburse the customer accordingly, while the receiving firm believes the scam is out of scope. Where the sending and receiving firm have been unable to agree, we have relied on the data submitted by the sending firm.
- 1.9** We would like to see these issues resolved at the time of the scam rather than retrospectively. From 7 October 2024, firms will need to communicate at the time of the fraud as our reimbursement requirement comes into force.
- 1.10** Data sources for this report:
- a. A data request sent to Measure 1 directed firms (the 14 biggest banking groups in the UK) asking for information on scams over £85,000 in value.
 - b. One other firm's voluntary response to the request.
 - c. Our Measure 1 data submissions
 - d. PSR Survey of consumers, conducted by Thinks!, July 2024
 - e. Other public information sources as referenced.

- 1.11** Due to the nature of our Measure 1 dataset, and our desire to be proportionate in our data requests to industry, our data does not include sending fraud rates for non-directed firms. From 7 October, when the reimbursement requirement goes into force, all firms will report fraud data to Pay.UK. A more comprehensive data set will then be available.

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