Dear Mr Hemsley,

Age UK appreciates the opportunity to provide our thoughts on the importance of publishing Authorised Push Payment (APP) scam rates and net recovery of funds by payment system providers (PSPs). We believe publishing this information will help to prevent APP scams from happening in the first place, and we urge the Payment Systems Regulator (PSR) to implement this as soon as possible. This information gives customers a clear picture of how well their bank performs when tackling scams and reimbursing victims, and as the leading charity dedicated to supporting older people, we have seen firsthand the devastating impact APP scams can have on older victims and their families.

APP scams involving a fraudster convincing a victim to transfer funds to a fraudulent account can be highly insidious. As a result, older victims can lose their life savings in a matter of just seconds, suffering catastrophic, life-changing losses. This is a frightening prospect, particularly amid the cost-of-living crisis. In addition, we know that these scams take a toll on many older people's physical, mental, and emotional well-being. Therefore, we believe that greater transparency and accountability in this area are vital to improving reimbursement rates of innocent scam victims and for encouraging PSPs to take more robust fraud prevention measures. Stopping a fraudulent payment from being executed in the first place should be the primary aim of any anti-fraud measure, as we firmly believe prevention is always better than cure.

Context: Measure 1[i] (Metric C)[ii] process

We thought it would help contextualise the process we're responding to. Under Measure 1, the PSR will direct the 14 largest PSP groups (12 largest in Britain, plus two in Northern Ireland) to provide six-monthly data that shows the proportion of victims who are left fully or partially out of pocket, as well as the rates of APP scams happening at both sending and receiving banks or building societies. The data will be published to compare performance across PSPs. So, measure 1 aims to increase reimbursement for APP scam victims and encourage PSPs to improve anti-fraud measures by placing reputational incentives on sending and receiving PSPs. By doing so, the PSR intends to publish this data to shame poor performers into doing better. This consultation relates explicitly to a new proposed process for collecting Metric C data – receiving PSPs' scam rates and net recoveries. Specifically, the regulator wants to re-consult the process for collecting and validating receiving PSPs APP scam rates.

The PSR proposes that the 14 directed *sending PSPs* (those making the payment) should submit Metric C data on *receiving PSPs* (those receiving the payment) to the PSR. Receiving PSPs can request a breakdown of the APP scam data from the sending PSP and their sponsor PSPs, so they can have the option to identify transactions that should be allocated to their indirect PSPs.[iii] Therefore, sending PSPs will be required to assist receiving PSPs in this checking process if they ask for this data. The sending PSPs will then re-submit their final data to the PSR with any adjustments, which the Chief Financial Officer will sign off on. The PSR will re-review and publish this data six months after the end of the data period.

The PSR will consider issuing guidance to receiving PSPs on the Metric C process in Spring 2023. The regulator deems it crucial to re-consult on the data submission process for receiving PSPs scam rates. The objective of the consultation is to understand stakeholders' views on their amended process and update relevant stakeholders on their proposed plans and timelines for implementing Measure 1.[iv]

The importance of the new process for improving reimbursement and prevention measures:

Age UK believes publishing the data on performance relating to APP fraud will become a critical brand management exercise, as consumers will use the information to benchmark financial institutions. When choosing a bank, consumers undoubtedly want to feel their money is safe and will therefore start to give ever-increasing weight to favour those banks and building societies that have adequate fraud detection procedures, are seen to reduce fraud incidents and reimburse innocent victims in full. Creating this reputational incentive will encourage competition and drive-up standards across the industry. In addition, we can envisage the proposed process leading to improved investment in technology to detect fraudulent payments and improved intelligence sharing to enhance the detection and prevention of APP scams.

Additionally, this data will help raise awareness of APP scams among the public, including older consumers who may be more vulnerable to falling victim to scams. Indeed, it is well-documented that fraud is underreported. Providing clear and accurate information about the prevalence of the scams and the steps that PSPs are taking to combat them would help educate people about the risks and enable them to take more precautions to protect themselves. This could lead to more consumers verifying the authenticity of payment requests, using secure payment methods, and being cautious of unexpected or unusual requests for money. Banks should also provide in-person support to help older consumers when they suspect a scam or are victimised by a fraudster.

The data will also provide a valuable source of information for policymakers and other stakeholders to better understand the APP fraud landscape and identify trends that may be useful in developing more effective prevention and remediation strategies.

We understand that PSPs may have concerns about the potential costs and burdens associated with publishing this data. It was said that given the volume of transactions and the need to establish a validation process, receiving PSPs would need to build automated systems to allow them to process the data. Designing these systems could take six months or more. Some firms have argued that they must consider the investment and resources required to build these systems alongside their other commercial projects and priorities. However, we believe the benefits of transparency, accountability, and fraud prevention massively outweigh the upfront cost to PSPs. Payment providers should be held to a high standard of responsibility when preventing and responding to APP scams. We urge the PSR to carefully consider this issue and the benefits that greater transparency and accountability will bring. Firms should also consider ways to mitigate these costs, such as using existing reporting mechanisms or developing industry-wide solutions.

Moreover, some firms are worried about data sharing because of the prospect of significant fines and potential civil liability. However, it is clear that the UK's current data protection regime allows processing data for 'legitimate interests', which includes doing so expressly for fraud prevention. In addition, the Information Commissioner's Office (ICO) has guides to help organisations carry out the necessary data protection impact assessment.[v]

Another potential benefit of publishing this data is that it could help improve the reimbursement process for victims of these scams. Currently, the reimbursement level for APP scam victims can vary significantly depending on the PSP involved and the circumstance of the fraud. In some cases, victims may be able to recover all or most of their losses, while in other cases, they may receive little to no reimbursement. Making information about PSPs' reimbursement practices more transparent would make it easier for victims to understand their options and make informed decisions about which PSP to use.

Because Metric C highlights fraudsters' accounts to the PSP, it has an essential role in improving the reimbursement level of APP scams and encouraging further fraud prevention measures by placing reputational incentives on receiving firms. The Lending Standards Board has underlined in its review of the Contingent Reimbursement Model (CRM) Code a need to draw out expectations more clearly for receiving PSPs.[vi] After all, a PSP has aided scammers in collecting their stolen money. Publishing net recovery data could help encourage PSPs to improve their fraud prevention measures and develop more effective processes for recovering lost funds.

Finally, at present, PSPs may be hesitant to invest in these measures due to the costs involved and the lack of a clear financial return on investment. However, we believe that by creating a reputational incentive for firms to act and making it easier for consumers to compare the performance of different firms in this area, it is more likely that PSPs will take a more proactive approach to fraud prevention and recovery. This could include implementing, as mentioned above, more robust authentication measures, providing better training to staff, and working more closely with law enforcement and other key stakeholders to track down and prosecute fraudsters.

We strongly believe publishing APP scam data for PSPs is essential for preventing fraud. Creating reputational incentives for firms to act and raising awareness of the issue among the general public will help protect consumers from the devastating consequences of these scams. We urge the PSR to consider this issue carefully and the benefits that greater transparency and accountability will bring. Furthermore, to reduce exposure and be fully prepared for implementing these regulations, we urge firms to demonstrate their good intentions by investing in the latest fraud detection technologies, developing policies and procedures for protecting their customers, and supporting customers who have fallen victim to fraud.

Thank you for the opportunity to provide our thoughts on this critical matter. We would be happy to discuss these issues further and continue to work with the PSR, firms and other stakeholders to identify ways to address the problem of APP scams and to improve the protection and support available to older consumers.

Sincerely,

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[i] **Measure 1** involves the publication of scam data.
[ii] **Metric C:** Receiving PSPs' APP scam rates, net of recoveries. That is the amount of fraud and the net recovered funds from fraudsters.
[iii] Some PSPs may not be direct participants in Faster Payments. These indirect PSPs access Faster Payments via an Indirect Access Provider (IAP) intermediary that is a direct participant (also known as a 'sponsor' bank or PSP). Therefore, fraudulent transactions may be passed through the sponsor bank to the ultimate recipient PSP. The PSR is proposing that for Metric C data, sending PSPs should identify and report receiving PSP data at the sort-code level, via the Extended Industry Sort Code Directory (EISCD) listings. This will require sponsor PSPs to ensure that for indirect sort code access clients, their EISCD listing is up-to-date and that the indirect PSP is properly identifiable.
[iv] CP22/5 APP scams: Measure 1 Metric C process: revised approach (psr.org.uk)
[v] Data protection impact assessments | ICO
[vi] CRM-22-Summary-report-Final-0922.pdf (lendingstandardsboard.org.uk)