



The Money Charity Response – PSR Call for Views 21/6 on Confirmation of Payee (June 2021)

The Money Charity is a Financial Capability charity whose vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.¹

We welcome the opportunity to respond to the Payment Systems Regulator’s Call for Views 21/6 on Confirmation of Payee.

In this response, we set out our Key Points, make some overall comments on the issue then answer selected questions from the Call for Views.

¹ See box on back page.

Key Points

1. We support the extension of Confirmation of Payee (COP) to payment providers beyond the original six covered by Specific Direction 10. For Confirmation of Payee to work properly, in our view it needs to cover all providers of payment services so that when a consumer sets up a new payee, they will always get a substantive result from a COP search.
2. We note the progress made with COP so far and welcome the fact that COP seems to have reduced the rate at which people are falling for scams.
3. We note also that scams continue at a high level and that scammers have adapted to COP by socially engineering people either to ignore a negative COP result or to transfer money to accounts (e.g. mule accounts) that do not trigger a negative COP result. This suggests two further things are needed:
 - (a) A more intensive marketing effort around COP, to enable people to recognise scams and take evasive action. COP is relatively new, and we think that PSR, banks and other organisations involved with payments should step up publicity about COP and the need for customers to heed COP warnings. COP would also benefit from a having a recognisable brand name.
 - (b) More intensive detection and law enforcement, so that a higher proportion of scammers are found, blocked and prosecuted.
4. As indicated in our response to PSR's April 2021 Call for Views on APP scams, we support the proposal for victims of scams to be automatically reimbursed by Payment System Providers. We think this will incentivise stronger attempts to improve payment security, bear down on scams and increase the rate at which scammers are caught and prosecuted.

Overall Comments

As a Financial Capability and Wellbeing charity, we deliver education on personal finance, budgeting, credit, financial goal-setting and related matters. This includes methods of payment and payment hazards such as account fraud and APP scams. We have been concerned about APP scams for some years and feel that the frequency of such scams is too high, with too much money being lost. Rather than being a rare criminal exception, APP scams seem to provide steady business to a section of the criminal community. We do not think that enough effort has yet been made by the banking and payments industries, working with law enforcement, to shut down APP scams.

With this in mind, we were pleased to see the PSR's report on the progress of COP to date, particularly the evidence on lowering the trend adjusted incidence of APP scams and the evidence of scams migrating to providers who have not yet implemented COP.

Nevertheless, APP scams continue at a high rate, with a lot of money being lost each year. One might expect scammers to focus on the "close match" result in COP checks and to manipulate people by setting up target accounts with names close to the desired payee account. A certain amount of this happens, but the evidence presented by the PSR shows that the great majority of APP scams proceed either by using accounts that generate a positive COP result ("Match"), for example mule accounts, or by socially engineering people to ignore a "No Match" result.

These findings illustrate the inventiveness of scammers and the suggestibility of human nature. They also support the view that "negligence" cannot be the test of whether a person gets reimbursed by their Payment Provider. The whole point of scamming is to neutralise people's defences. Scammers invariably present as normal, friendly people, acting in the best interests of the person they are trying to scam.

In our view it is necessary to extend COP to all payment providers, so that payers will always get a substantive COP result when they set up a payment. However, the evidence of continued scams suggests that this alone will not be the complete answer. We also need:

(a) A more intensive marketing effort around COP, to help people recognise scams and take evasive action. COP is relatively new, and we think that PSR, banks and other organisations involved with payments should step up publicity about COP and the need for customers to heed COP warnings. As a Financial Education charity, we can help with this, but it needs to be part of a national campaign led by the leading payments authorities.

(b) More intensive detection and law enforcement, so that a higher proportion of scammers are found, blocked and prosecuted.

Consideration should be given to developing a recognisable brand name for COP, to assist with consumer recognition of the process, and discussion in media and social media of payment verification and the risk of scams.

Answers to consultation questions

We are interested in payments from the consumer point of view but are not involved in the technicalities of the payment system, so we will not try to respond to the technical questions in the Call for Views. The questions we have responded to are Questions 1, 2, 7 and 11.

Question 1: Phase 1 trends and impact: Do you have any comments on the trends presented above regarding the impact of CoP on the relevant types of misdirected payments and the relevant types of APP scams? Do you believe that, in light of the decreases in the relevant types of misdirected payments and despite an increase in the relevant types of APP scams, CoP has had a positive impact? Do you believe that CoP has resulted in improved customer experience and confidence in electronic bank transfers?

The evidence presented by PSR does appear to show that, where it has been implemented, COP has reduced the rate of scams. This is welcome. However, as noted in our general remarks above, scams continue at high rate, which reflects the inventiveness of scammers and the suggestibility of human nature. This means that a range of further measures are necessary:

- Extending COP to all payment providers.
- Increasing the marketing effort around COP warnings.
- Increasing detection, arrest and prosecution of scammers.
- Proceeding with the proposal to automatically reimburse victims of APP scams.

Question 2: Fraud migration and bypassing a no match: Do you agree that the analysis shows that financial institutions that haven't implemented CoP provide opportunities for the relevant types of APP scams to continue to grow? Are there any other type(s) of institution where the relevant types of fraud have migrated to? Do you agree with the analysis showing that scams continue even when a 'no match' occurs? Do you have any views as to how these areas could be addressed in future?

Yes, the evidence does appear to show that scams have migrated to a considerable extent to providers who have not yet implemented COP.

We found the "No Match" finding particularly interesting. It confirms our experience of the importance of psychology in relation to finance. One might expect scammers to focus on the opportunities presented by "Close Match" results (and some do) but according to the PSR data the great majority of APP scams occur either with a "Match" result (e.g. a mule account) or in the face of a "No Match" result. The latter shows the extent to which scammers can socially engineer people away from accepting what might be thought to be obvious warnings. The conclusion is that a range of further measures need to be taken to bear down on scams (see answer to Question 1 and our Key Points).

Question 7: Messaging and warnings: Do you have any comments on how CoP messaging works and how this could be improved in order to avoid the issues

raised above – for instance, by standardising messaging? What other enhancements could be brought to the CoP service?

Feedback on COP from the people we work with has been generally positive, with those whose banks use COP saying the signage is clear and they get plenty of warnings while setting up a payee. People like the fact that they can over-ride a “No Match” result in situations where they know and trust the payee and are sure of the account number even though the system is not able to match the account name. Some do not remember seeing COP and some have banks that have not yet made COP operational. People report possible confusion between business and personal accounts, for example where a tradesperson has a company name but uses their personal account to take payment.

This feedback shows that COP is on the right track but needs further work to be perfected. We suggest that a recognisable brand name be developed for COP using non-jargon English, such as “Account Checker”, and that the chosen brand name be widely publicised so that it becomes part of everyday banking vocabulary.

Question 11: Pay.UK’s role: In view of Pay.UK’s role described in paragraphs 1.10 and 2.2, do you have any comments on whether we ought to require Pay.UK to have a greater role in terms of the CoP messaging? Do you have any comments on the role we should require Pay.UK to play in monitoring adherence to the CoP rules, standards and operating guidance, and communicating relevant statistics?

In our view, COP is still new and has not yet achieved comprehensive recognition and understanding in the UK. Until COP has achieved universal recognition (i.e. become institutionalised in UK society) we suggest that all organisations involved in payments, including Pay.UK, should coordinate a UK-wide publicity campaign about COP and scams. This is part of the wider effort needed, including stepped up detection, arrest and prosecution of scammers.

The Money Charity is the UK's Financial Capability charity providing education, information, advice and guidance to all.

We believe that everyone achieves Financial Wellbeing by managing money well. We empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.

We do this by developing and delivering products and services which provide education, information and advice on money matters for those in the workplace, in our communities, and in education, as well as through influencing and supporting others to promote Financial Capability and Financial Wellbeing through consultancy, policy, research and media work.

We have a 'can-do' attitude, finding solutions to meet the needs of our clients, partners, funders and stakeholders.

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