

The Rt. Hon. Nicky Morgan MP
Treasury Committee Chair
House of Commons Committee Office
14 Tothill Street
London
SW1H 9NB

05 February 2019

Dear Nicky

Further to our last letter, I am writing to provide you with an update on the work which we and the FCA are undertaking to tackle authorised push payment (APP) scams. There have been three important developments since we last reported to you.

Most recently, in December the FCA announced its decision to extend the jurisdiction of the Financial Ombudsman Service (FOS) to allow consumers (where eligible) to refer their complaint about a bank or other payment service provider receiving an APP scam payment to the FOS. Prior to this, consumers could only complain about the conduct of their sending bank. This is an important measure, because APP scams require “mule accounts” to receive the scammed payments, and consumers need to be able to obtain redress where they have taken the necessary care but the receiving bank has fallen short in allowing the mule account to operate. This measure came into force on 31 January 2019, and is an important step towards protecting consumers.

In November, we opened our consultation on giving directions to banks and other payment service providers to implement Confirmation of Payee (CoP). CoP is a tool that would ensure that names of recipients are checked before payments are sent, and notify users if the name does not match the account. We expect that implementation of CoP would significantly reduce the incidence of successful APP scams. This consultation closed on 4 January 2019 and we are now reviewing the consultation responses. We will provide an update on this as soon as possible.

Finally, at the end of September 2018 the Steering Group that we established published its draft CRM Code for public consultation.¹ Encouragingly, the retail banks represented on the Steering Group individually committed to start working towards implementing the standards of the draft Code from that time.

Together with the implementation of CoP and the ability for consumers to gain redress via the FOS against banks which fall short in allowing mule accounts to operate, these developments represent significant progress in ensuring better protection for consumers against APP scams.

¹ <https://appcrmsteeringgroup.uk/wp-content/uploads/2018/09/APP-scams-Steering-Group-CRM-Consultation-paper-FINAL.pdf>



The next step is the finalisation of the CRM Code so that it becomes the standard which all payment services providers should meet. The Steering Group's consultation closed in mid-November 2018. A wide range of stakeholders provided responses to the consultation, including payment services providers, trade bodies, other businesses and consumers. There was broad support for the Code, but some respondents raised concerns about certain elements of the Code.² The Steering Group has been reviewing the consultation responses and discussing the feedback, along with undertaking further work to develop and finalise the CRM Code.

As you will be aware from UK Finance's and banks' submissions, and appearances before the Committee's inquiry into economic crime, there are a small number of complex and contentious issues around the development of the CRM Code that the Steering Group must resolve. The Steering Group is working hard to reach agreement among those involved and deliver an effective Code in early 2019 that will give consumers better protection when dealing with the full range of payment services providers, and we are monitoring this closely.

Please let me know if you require any further information on this or any other PSR work.

Yours sincerely

A handwritten signature in black ink that reads 'Hannah'.

Hannah Nixon
Managing Director

² Summaries of the Steering Group's meetings in November and December 2018 are available on their website: <https://appcrmsteeringgroup.uk/meetings/>