

Specific Direction 20 to
PSPs participating in the
Faster Payments Scheme that
provide relevant accounts,
to reimburse FPS APP scam
payments and comply with
the reimbursement rules

Specific Direction 20 (Faster Payments
APP scam reimbursement requirement)

December 2023

Specific Direction 20: Faster Payments APP scam reimbursement requirement

1 Recitals

Whereas:

- 1.1** Authorised push payment (APP) scams happen when a person uses a fraudulent or dishonest course of conduct to manipulate, deceive or persuade someone into sending money to an account outside of their control.
- 1.2** The Financial Services and Markets Act 2023 (FSMA 2023) places a statutory obligation on the Payment Systems Regulator (PSR) to introduce a reimbursement requirement for APP scam payments made over the Faster Payments Scheme by the end of February 2024.
- 1.3** The PSR has decided to implement a policy that requires APP scam victims to be reimbursed by the sending payment service provider (PSP). This is known as the FPS reimbursement requirement.
- 1.4** The PSR has decided to implement this policy by requiring the operator of the Faster Payments Scheme to put the FPS reimbursement requirement into the Faster Payments Scheme rules. The resulting rules will be known as the FPS reimbursement rules.
- 1.5** The PSR has also decided to direct in-scope participants in the Faster Payments Scheme to comply with the FPS reimbursement requirement and the FPS reimbursement rules. This is to ensure that these rules apply to both members and non-members of the Faster Payments Scheme, so that all participants in the Faster Payments Scheme and their consumers are, as far as possible, placed on an equal footing.

2 Powers exercised and purpose

- 2.1** The Faster Payments Scheme is designated by the Treasury as a regulated payment system under section 43 of Financial Services (Banking Reform) Act 2013 (FSBRA) for the purposes of Part 5 of FSBRA.
- 2.2** The PSR gives this specific direction in accordance with section 54(1) and (2) of FSBRA. In accordance with section 54(3)(c), this direction applies to persons of a specified description.
- 2.3** In making its decision to use its section 54 powers, the PSR had regard to section 62 of FSBRA (Duty to consider exercise of powers under the Competition Act 1998).
- 2.4** Under section 72 of FSMA 2023, the PSR must introduce a reimbursement requirement for APP scam payments made over the Faster Payments Scheme. The PSR gives this specific direction to fulfil this duty. It hereby requires all in-scope PSPs to comply with the FPS reimbursement requirement and the FPS reimbursement rules.
- 2.5** The PSR gives this specific direction for the reasons and purpose set out in its policy statement PS23/3, *Fighting authorised push payment fraud: a new reimbursement requirement* (June 2023)¹:
- to incentivise the payments industry to invest in fraud prevention, increasing consumer protections so most victims of APP scams are swiftly reimbursed
 - to pursue its long-term ambition for the operator of the Faster Payments Scheme to tackle fraud by improving the Faster Payments Scheme rules

¹ www.psr.org.uk/publications/policy-statements/ps23-3-fighting-authorised-push-payment-fraud-a-new-reimbursement-requirement/

Direction

NOW the PSR gives the following specific direction to all PSPs participating in the Faster Payments Scheme that provide relevant accounts

3 The reimbursement requirement

The FPS reimbursement requirement

- 3.1** When a victim reports a reimbursable FPS APP scam payment to their sending PSP, the sending PSP must reimburse the victim in full. This is the FPS reimbursement requirement.

The scope of the FPS reimbursement requirement

- 3.2** The FPS reimbursement requirement applies to all reimbursable FPS APP scam payments executed after the implementation date. The implementation date is 7 October 2024.
- 3.3** The FPS reimbursement requirement applies in line with the exceptions and additional provisions set out at paragraphs 4.2 to 5.19 of Specific Requirement 1 (Faster Payments APP scam reimbursement rules).

4 Requirement to comply with the FPS reimbursement rules

- 4.1** From 7 October 2024, all directed PSPs, whether they are members or not of the Faster Payments Scheme must comply with the FPS reimbursement rules.

5 Indirect access providers to provide information about their indirect PSP customers

- 5.1** By 31 March 2024, and annually thereafter, all indirect access providers must give the PSR a complete list of all of their indirect PSP customers for the previous calendar year.
- 5.2** The PSR may specify in guidance additional requirements for the format and content of the list mentioned in paragraph 5.1.
- 5.3** By 30 April 2024, and monthly thereafter, all indirect access providers must give the PSR an update containing any changes to the list they provide under paragraph 5.1. They do not need to provide a report for months where there are no changes since the previous report.

- 5.4** This direction should be read alongside, and interpreted consistently with, any other relevant directions or requirements issued under sections 54 or 55 of FSBRA

6 Application

- 6.1** This specific direction applies to all PSPs participating in the Faster Payments Scheme that provide relevant accounts.

7 Commencement and duration

- 7.1** This specific direction comes into force on 19 December 2023
- 7.2** This specific direction will continue in force until such time as it is varied or revoked by the PSR.

8 Citation

- 8.1** This direction may be cited as Specific Direction 20 (Faster Payments APP scam reimbursement requirement).

9 Interpretation

9.1 The headings and titles used in this specific direction are for convenience and have no legal effect.

9.2 The Interpretation Act 1978 applies to this specific direction as if it were an Act of Parliament, except where words and expressions are expressly defined.

9.3 References to any statute or statutory provisions must be construed as references to that statute or statutory provision as amended, re-enacted or modified, whether by statute or otherwise.

9.4 The following definitions apply in this specific direction:

- **Account controlled by the consumer** means a relevant account that a consumer can access and make payments from. It is not sufficient for it to be in the consumer's name.
- **Authorised push payment (APP)** means a consumer payment initiated by the sending PSP in accordance with an authorisation given by its consumer.
- **APP scam (authorised push payment scam)** means where a person uses a fraudulent or dishonest act or course of conduct to manipulate, deceive or persuade a consumer into transferring funds from the consumer's relevant account to a relevant account not controlled by the consumer, where:
 - the recipient is not who the consumer intended to pay, or
 - the payment is not for the purpose the consumer intended

For the avoidance of doubt, if the consumer is party to the fraud or dishonesty, this is not an APP scam for the purpose of the FPS reimbursement requirement, or the FPS reimbursement rules.

- **Authorisation**, for the purpose of this direction, in the context of a payment means that the payer has given their explicit consent to:
 - the execution of the payment transaction, or
 - the execution of a series of payment transactions of which that payment transaction forms part
- **Consumer**, for the purposes of this direction, refers to service users of PSPs. These are individuals, microenterprises (an enterprise that employs fewer than ten persons and that has either an annual turnover or annual balance sheet total that does not exceed €2 million) or charities (a body whose annual income is less than £1 million per year and is a charity as defined by the Charities Act 2011, Charities and Trustee Investment (Scotland) Act 2005 or the Charities Act (Northern Ireland) 2008).

- **Directed PSP** means a PSP participating in the Faster Payments Scheme to which this specific direction applies.
- **Faster Payments Scheme** or **FPS** means the Faster Payments Scheme, a regulated payment system designated by Order from the Treasury on 1 April 2015.
- **FPS APP scam claim** means one or more FPS APP scam payments made as part of an APP scam and made to the victim's PSP.
- **FPS APP scam payment** for the purposes of this direction, means an APP, authorised by a victim as part of an APP scam, that has all the following features:
 1. It is executed through the Faster Payments Scheme.
 2. It is authorised by a PSP's consumer.
 3. It is executed by that PSP in the UK.
 4. The payment is received in a relevant account in the UK that is not controlled by the consumer.
 5. The payment is not to the recipient the consumer intended or is not for the purpose the consumer intended.
- **FPS reimbursement requirement** means the obligation conferred on directed PSPs under paragraph 3.1 of this specific direction.
- **FPS reimbursement rules** means any rules created as a result of Specific Requirement 1 (Faster Payments APP scam reimbursement rules) imposed on the Faster Payments Scheme operator to create and implement rules on PSPs reimbursing their consumers when they fall victim to APP scams.
- **Indirect access provider** means a PSP with access to the Faster Payments Scheme that has an agreement or arrangements with another person for the purpose of enabling that other person (the 'indirect PSP customer') to provide services for the purposes of enabling the transfer of funds using the Faster Payments Scheme or to become a PSP in relation to the Faster Payments Scheme.
- **Member of the Faster Payments Scheme** means a directly connected settling or directly connected non-settling participant.
- **Operator** has the same meaning as under section 42(3) of FSBRA in relation to the Faster Payments Scheme. The term Faster Payments Scheme operator is to be understood accordingly.
- **Participant** has the same meaning as under section 42(2) of FSBRA.
- **Payment System** has the same meaning as under section 41(1) of FSBRA.
- **Payment Systems Regulator (PSR)** is the body corporate established under section 40 of FSBRA.

- **Payment service provider (PSP)** has the same meaning as under section 42(5) of FSBRA.
- **Reimbursable FPS APP scam payment** means an FPS APP scam payment where the consumer standard of caution exception does not apply, the victim is not party to the fraud or claiming fraudulently or dishonestly to have been defrauded and the claim was made within the time limit set out in the reimbursement rules.
- **Relevant account** means an account that is provided to a service user, is held in the UK and can send or receive payments using the Faster Payments Scheme, but excludes accounts provided by credit unions, municipal banks and national savings banks.
- **Sending PSP** means a PSP that provides a relevant account for a consumer, from which one or more FPS APP scam payments were made.
- **Service user** means a person who uses a service provided by a payment system and is not a participant in that payment system.
- **Victim** means a consumer who has made one or more FPS APP scam payments.

Made on 19 December 2023

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Status of directions

Directions give rise to binding obligations. Breaching a requirement of a direction is a compliance failure which makes a party liable to regulatory sanction.

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