

APP Scams Steering Group

Summary of third meeting 4 June 2018

Attendees

Ruth Evans, Chair

Brian Dilley, Lloyds Banking Group

Dominic Lindley, independent consumer expert

Lucy Malenczuk, Age UK

Faith Reynolds, independent consumer expert

Judith Crawford, Electronic Money Association (alternate)

Wayne Stevens, Victim Support

Mark Tingey, Metrobank

Sam White, Barclays

Alasdair MacFarlane, RBS

Sian Williams, Toynbee Hall

Ben Trim, HSBC

Matthew Alder, HM Treasury (observer)

Melissa Dring, National Trading Standards (observer)

Tim France, Home Office (observer)

Dora Guzeleva, PSR (observer)

Kathryn Hardy, PSR (observer)

Ross Studholme, FCA (observer – Legal Working Group member)

Alix Newbold, City of London Police (observer)

Richard West, Financial Ombudsman Service (observer)

Katy Worobec, UK Finance (secretariat to the Steering Group)

Nick van Benschoten, UK Finance (secretariat to the Steering Group)

Nick Beesley, UK Finance (secretariat to the Steering Group)

Stephen Wilson, independent policy drafter (secretariat to the Steering Group)

The **Terms of Reference** have been revised to include a small point of clarification from the second meeting.

It was agreed that the following papers would be deferred for review until a later Steering Group meeting:

1. A paper on options for modelling the outcome scenarios, including APP scam values broken down by scam types.
2. A further paper on funding options, including potential costings for interim options and likely timing of viable longer-term options.

In addition, it was agreed to defer the question of whether direct customer funded options are in or out of scope until a later Steering Group meeting.

Second Deliverable: The requisite level of care to be taken by consumers (general customers)

There was a lengthy discussion by the steering group, drawing on discussions had in an earlier workshop on the consumer requisite level which many of the members and observers attended. The discussion focused on general consumers at this stage – consumer vulnerability, and how this should be taken into account, will be considered at a workshop the following day.

There were four principles suggested that were agreed for the consumer requisite level of care:

1. A consumer has not met the requisite level of care if they have ignored timely, effective, specific and understandable warnings.
2. A consumer has not met the requisite level of care if they have ignored a clear negative match from the Confirmation of Payee system (once implemented).
3. Commercial disputes where a seller is a legitimate business are out of scope.
4. The requisite level of care has not been met for a CEO type scam, where a member of the victim company staff makes a payment without following their own internal procedures that would have prevented the scam.

The steering group agreed that these four principles should form the baseline principles for the requisite level of care for a general consumer.

A workshop of steering group members will be convened subsequent to the Steering Group meeting in order to develop a draft of the consumer requisite level of care to be drafted by the independent policy reviewer.

Reimbursement Process Flow Working Group

Second meeting has been held 10th May with a further planned for 14th June.

The Electronic Money Association who attended this working group meeting highlighted the fact that for the majority of their members, the smaller PSPs, payment mechanisms are highly automated with little interaction with consumers directly.

Following this working group meeting, the FCA has commented that they are likely to consult on the extension of current jurisdiction of the FOS to the beneficiary PSP.

Discussion on the implications of the no-blame – no-blame situation

One member questioned whether a no-blame scenario exists - even if victim's bank has met the requirements of the voluntary code at the point of the scam, there will be a receiving bank which banks the beneficiary account. This led to a discussion about the ability of PSPs to identify accounts used for scams and if they should be held responsible for this. The discussion noted that some accounts which are subsequently used to

receive scam proceeds are opened with genuine documents and legitimate checks and may lie dormant for some time until used for a scam, and some account holders are themselves duped into allowing their accounts to be used, often young customers.

UK Finance to investigate what data is presently available regarding money mule accounts

Legal Working Group

The Home Office chaired the first meeting on the 25th May. The next meeting is scheduled for the 22nd June.

The legal group discussed funding proposals including the possibility of using fines, dormant accounts and frozen accounts to support a central pot for the no-blame scenario. It was agreed that the dormant account route would be difficult given the need for primary legislation and that this should not be progressed further in the short term. It was agreed that Government would give further policy consideration to the use of fines and frozen accounts and report back at the next Legal Working Group meeting.