

APP Scams Steering Group

Summary of first meeting 5 April 2018

Attendees

Ruth Evans, Independent Chair

Consumers

Dominic Lindley, FCA Consumer Panel
Phil Mawhinney/Lucy Malenczuk, Age UK
Richard Piggin, Which?
Sian Williams, Toynbee Hall

PSPs

Brian Dilley, Lloyds Banking Group
Mark Tingey, Metrobank
Ben Trim, HSBC
Sam White, Barclays
Thaer Sabri, Electronic Money Association

Secretariat

Nick van Benschoten, UK Finance
Katy Worobec, UK Finance

Observers

Matthew Alder, HM Treasury
Richard Lloyd, Independent Reviewer (Advisor to the Chair)
Maha El Dimachki, FCA
Tim France, Home Office
Dora Guzeleva, PSR
Alix Newbold, City of London Police

Apologies

Faith Reynolds, FCA Consumer Panel

Deputy Chair

Faith Reynolds was confirmed as Deputy Chair.

Background

The PSR summarised the background to this first meeting of the APP Scams Steering Group, including the Which? APP supercomplaint, the PSR consultation process on the proposal for a voluntary industry code (both standards of care and contingent

reimbursement model), and the decision to pursue a code through establishing a balanced and collaborative Steering Group of PSPs and consumer representatives.

Subsequent discussion by the Steering Group noted that:

- an agreed summary of the minutes would be published after each meeting;
- the PSR had decided on this approach as it judged it to be the best way of both incentivising APP prevention measures and reducing the impact of APP scams on victims, with reimbursement seen as a backstop to prevention and part of a wider suite of measures. Some members felt that this view of reimbursement was well-aligned with industry best practice of a layered approach to fraud prevention;
- the Financial Ombudsman Service (FOS) would need to adapt its current practices to the future code and that the Steering Group might want to engage the FOS on this;
- the future code should not be contingent on repatriation of funds, but both PSP and consumer representative members were keen that work continue on the repatriation of funds in parallel to the work on the code so as to remove stolen funds from the hands of criminals.

Steering Group Terms of Reference

The Terms of Reference were agreed subject to a number of clarifications (see attached)

Ways of Working

On **collective responsibility**, members are expected to attend all meetings, to work towards consensus and represent both their individual organisations and the views of their wider constituencies.

On the **Steering Group's end product**, the Steering Group is working to publish both an interim code and a public consultation on that code in September. Responses to the consultation would be reviewed by the Steering Group.

The discussion also noted that:

- Individual PSPs will need to endorse the interim code separately through their individual organisations and collective trade bodies;
- Industry endorsement of the interim code could be facilitated by working with HMG observers to ensure alignment with the wider Economic Crime Reform programme; The Steering Group will seek a broad-based response to the public consultation through consumer constituencies.

It was agreed that Working Groups would be established as follows:

- **Satellite Legal WG**: led by Home Office – to clarify whether there are any legal barriers to the prevention and response to APP scams, including the recovery of funds, the implications of any barriers, and how any barriers can be addressed.
- **Reimbursement Process Flow WG**: led by UK Finance – to develop the process flow for reimbursement considerations, including customer journey and agree the

consequences of 'inter-PSP blame'; i.e. how reimbursement and other outcomes are allocated between PSPs (e.g. where there is an inter-PSP dispute or one PSP did not meet standard of care).

- Both working groups will report back to the Steering group on proposals. Consumer representative members, PSP members and observers will be invited to attend.

First Deliverable: Appropriate outcomes for no-blame, shared-blame and inter-PSP blame situations

There was a good level of consensus in the initial discussion of the scenarios, with agreement that there were a number of points for resolution which need to be addressed before confirming the proposed outcomes, including:

- Agreement on key definitions, in particular what constitutes standards of 'requisite care' for both victim and PSP, and
- How the consistency principle should be applied across both victims and PSPs.

On the scenarios as discussed, there is agreement on:

Scenario 1: Victim took requisite level of care *and* One or more PSPs did not meet standard of care: PSP(s) at fault reimburse the victim.

Scenario 3: Victim did not take requisite level of care *and* All PSPs met the standard of care: victim is not reimbursed, although PSPs may decide to make a goodwill payment

For the other scenarios:

Scenario 2: 'No blame' (Victim took requisite level of care *and* All PSPs met the standard of care):

General consensus that victims should be reimbursed: but the cost need not be born directly by the PSPs concerned and that the meeting of SG on 27 April to further consider how reimbursement occurs.

Scenario 4: Shared blame (Victim did not take requisite level of care *and* One or more PSPs did not meet standard of care)

This scenario is complex and highly dependent on the definition of the PSP standards and the requisite level of care for customers. Meeting of SG on 27 April to consider further options for this scenario, including partial reimbursement and paying into a central fund.

Inter PSP blame: In circumstances where one or more PSPs are at fault, proposals for the reimbursement liability between the PSPs will be developed by Reimbursement Process Flow WG for consideration by the SG (see above), under an overarching principle that a victim meeting the requisite level of care must be reimbursed.

Meeting of SG on 27 April will also consider an initial paper on the PSP standard of care and requisite level of care for consumers.