



Protecting the Vulnerable  
from  
Authorised Push Payment Fraud

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## **Introduction**

Authorised Push Payment Fraud can have a devastating impact on the lives of the victims and their close family, even more so if the victim is vulnerable. The victims that I have spoken with are often greatly distressed, and those close to them are deeply concerned that they did not do enough to protect their loved ones from the fraud.

Fraudsters target everyone but the BSI PSA 17271:2017 Code of Practice opens with the following remark:

The way that organizations treat customers can also contribute to levels of financial harm. Inadequate systems and procedures that fail to inform, protect and support customers can exacerbate existing consumer vulnerabilities, making it more likely that fraud or financial abuse will result in financial harm.

This means that banks have a special responsibility to ensure that they have systems and procedures in place that specifically address the risks of fraud or financial abuse that might result in financial harm to anyone who is vulnerable.

The proposal set out below is also in line with section R2(3) of the CRM Code and the FCA consultation on a new Consumer Duty that is considering the way in which regulated organisations act to avoid reasonably foreseeable harm.

## **Second Party Notification (SPN)**

I formally propose that:

Every account holder, and specifically those who consider themselves to be vulnerable, will be able to authorise the bank to copy certain Notifications to a 'Second Party'.

This is different from existing arrangements, such as Power of Attorney, because the Second Party is only Notified of certain events. They will not have any transactional authority on the account, but might, possibly, be allowed to view the account on line.

The purpose of the proposal is that the Second Party will be able to act as a 'safety net' for another individual, such as an older relative or a person with learning difficulties who is living an independent life, by receiving copies of Notifications such as the creation of a new Payee, which is often the first step in an APPFraud.

The Second party would then be able to contact the account holder to ensure that the action is legitimate and in their best interests. The responsibility for contacting the bank in the case of suspected fraud would probably remain with the Account Holder.

## **24-Hour Payment Delay**

For SPN to be fully effective it will be important to establish a delay at a certain point in the payment process.

I formally propose that:

Account Holders should be able to Instruct their bank that, whenever a new Payee is created no high value payment will be released to that Payee until a clear 24-hours after the Payee was created.

The effect of this proposal is that:

- if a person considers themselves to be vulnerable and has opted-in to SPN
- and they are contacted by someone who they believe is their bank (aka, a fraudster)
- and told to move their money to a 'safe' account, thus creating a new Payee
- the Second Party would have time to react to the Notification and be able to advise the account holder to stop the payment before it leaves the account.

I suggest that the system design also allows the account holder to opt-for a 24-hour delay on all high-value payments, based on a limit selected by the account holder, to minimise the possibility of the fraudster engineering an initial low value payment followed by a higher value payment a few days later.

Based on the responses that I received in the past I will make three points:

1. This is not a proposal to slow down the entire Faster Payment System.
  - It focusses on payments within 24 hours of the creation of a new Payee.
2. It need not be inconvenient.
  - I have asked numerous people: "When was the last time that you paid over £500 to someone and did not have their payment details at least 24 hours before they needed the payment". The initial responses have been overwhelming silent.
  - Then, after a moment's thought, a common response was: "When I purchased my house, I needed to transfer the deposit so that we could exchange or complete."
  - But when asked: "Did your solicitor notify you well in advance of their account details and hadn't you already made a payment for fees etc", they realised that it was not a payment to 'a new Payee'.
  - I have identified just one situation where an individual might be inconvenienced, and this can easily be overcome in several ways without compromising the underlying value of the 24-hour payment delay.
3. The argument that it is not permitted under the Regulations is incorrect for two reasons:
  - PSR2017 states that the payment must arrive by the end of the next business day.
  - Most banks allow their customers to Instruct them to make a payment on a specified date in the future. A customer opting for 24-HD would be giving an Instruction to their bank to delay payments, and the bank must comply with that Instruction.