



# Authorised Push Payment Fraud Inoculation – The Curious Resistance To Confirmation Of Payee With The Curious Example Of The UK

John Bertrand, Consulting Director, ODPT

Wednesday, 13 April 2022





A Word From Today's Chairman

**Simon Mills**  
Senior Consultant  
Z/Yen Group





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# Today's Agenda

- 11:00 – 11:05 Chairman's Introduction
- 11:05 – 11:25 Keynote Presentation – John Bertrand
- 11:25 – 11:45 Question & Answer



## Today's Speaker

**John Bertrand**  
Consulting Director  
ODPT





# Authorised Push Payment Fraud Inoculation and The Curious Resistance To Confirmation Of Payee in The UK

*Fraudsters must have a bank account to commit APP Fraud*

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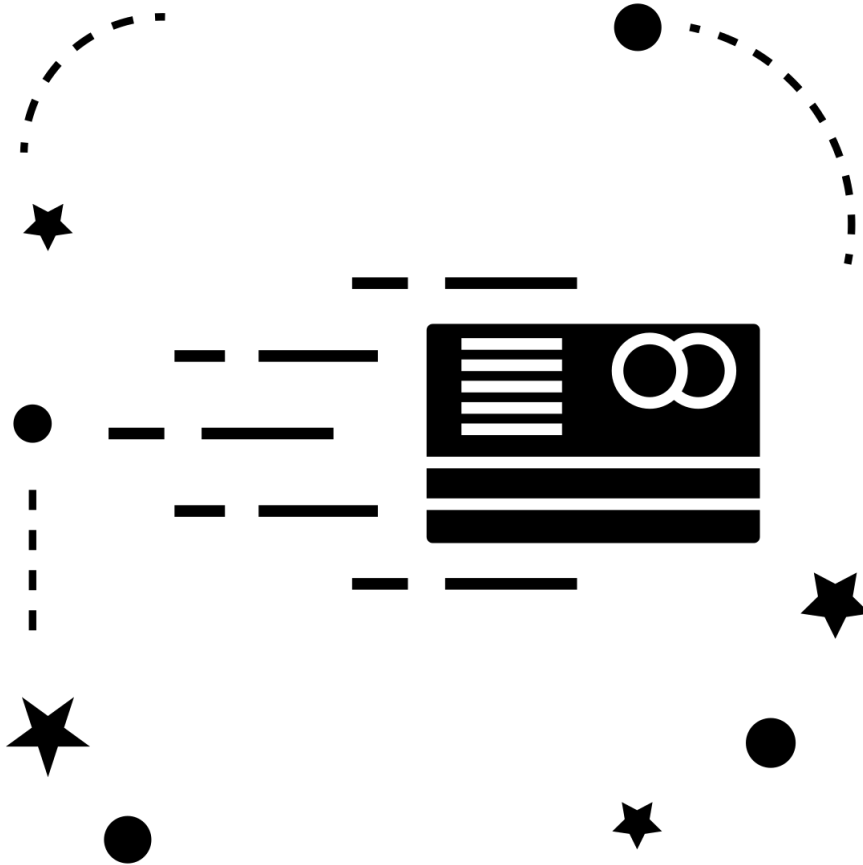
John Bertrand

[OD-PT.com](http://OD-PT.com)

April 2022

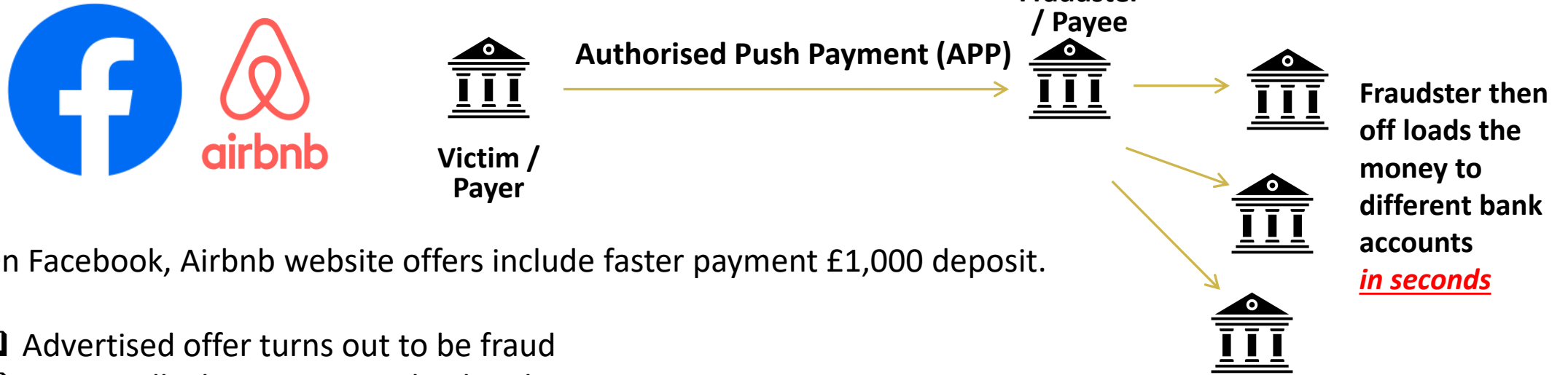


# Agenda: Authorised Push Payment Fraud (APP Fraud)



- Why Faster Payments is the first choice of consumers and fraudsters
- Why is Faster Payments fraud acceleration up 70% in the first half of 2021
- What is needed to slow/stop APP fraud that now exceeds credit card fraud
- Summary *It's the Right Time to be inoculated*

# APP Fraud Example:



On Facebook, Airbnb website offers include faster payment £1,000 deposit.

- Advertised offer turns out to be fraud
- Victim calls the parties involved and:

- Payer Bank calls Payee Bank and told “no money in that account”
- airbnb admires the fake website
- Facebook told you to call your bank

***refuses reimbursement***  
***refuses reimbursement***  
***refuses reimbursement***

**Victim, smart, savvy professional shocked and embarrassed and, like \*43% victims, accepts the £1,000 deposit loss and feels deeply distressed.**

(\*source: Which?)





# 1. Faster Payments: people and fraudsters' first choice

## UK Authorised Push Payment (APP)

Money leaves payer bank account and arrives seconds later at payee bank

## Excellent payment solution for the digital era

Preferred by all, including cyber fraudsters, as money moved in seconds

## Size and growth of faster payments

2021 highest ever year recorded: 3.4 billion payments processed (20% up on 2020) worth £2.6 trillion (+24%)

## APP fraud characteristics

50 million bank account holders bombarded by fake ads, emails, texts, phone calls. Clients hurriedly added to online banking due to COVID plus banks closing branches (50% shut since 2015)

## Banks and Payment systems

Banks implicitly blame their clients (only 40% reimbursed) as “it’s the client gave the authorisation”

Payment system designed for speed using sort code / account number only: 95% banks not verifying account ownership

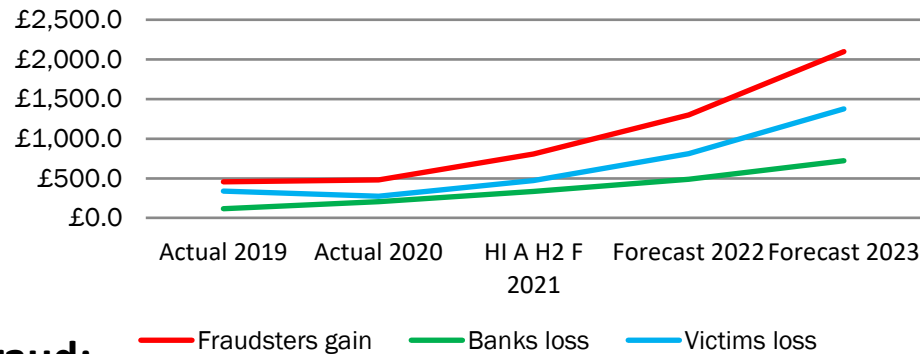


***Is bank account fraud really considered a crime?  
Police investigate fraud only once happened and large  
Cyber/digital fraud is hard to connect with emotionally***

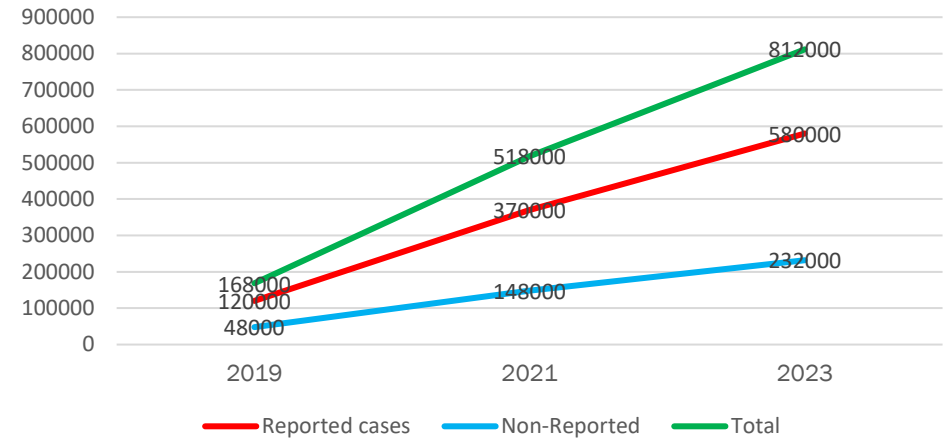
## 2. Acceleration of Faster Payment fraud



Actual & Forecast APP Fraud in £millions



Growth of APP fraud victims



**APP fraud:**

240,000 cases in 2021 up 70% of which 0.2%, 1 in 500, were solved  
 Chances of being convicted are slim with 151 alleged fraud cases in the first half of 2021  
 Financial Ombudsman Service handles the final appeal against banks of which 75% awarded to customers

**Police recorded crime:**

Burglaries totalled 268,000 (year ending April 2021) of which 5%, 1 in 20, were solved  
 Burglary down 21% and Fraud and computer misuse up 20%  
 APP fraud to exceed burglary with an even lower conviction rate

*Police acknowledge burglary is a “deeply intrusive” crime – being scammed is a deeply upsetting crime*



# Bank account holders need to know payee bank account risk

- Every bank account holder and user needs to know the risk level before making and paying a new payee. This needs to be in an interactive way before payment
  - As fraudsters have known payment behaviour patterns***
- Bank account holders, like Alice's Caterpillar, need to Ask and Prove the new payee: ***who are you***
  - Telephone numbers, e.g. 01416486283, used by Immediate Edge - Jeremy Clarkson hot get rich scheme interview on day time TV on returning call auto reply reports "this number is not operational". Telecomm companies know this is common feature in scams***
- Government and banks offer passive and generic Five Point Guidelines

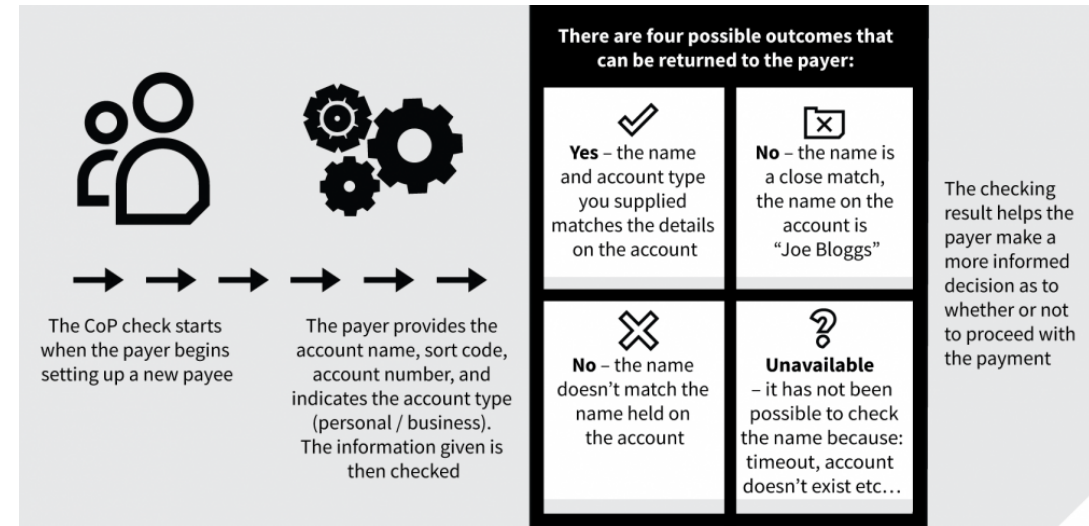


***Difficult to convey information in cyber/digital space  
Detached from emotion of real, physical cash  
Need to revamp the language and action steps over  
cyber/digital fraud for the online bank clients***

# Setting up a new payee onto online banking



- ❑ Only 6 banks (making 85% of payments) are mandated to use Confirmation of Payee (COP) **all the others do not use COP but CoP banks must pay non-CoP banks**
- ❑ The fraudsters focus is now on Non-COP banks. Fraud across these banks/PSP increasing rapidly with 50% APP fraud in remaining 15%
- ❑ Payment System Regulatory (PSR) is looking at increasing the COP mandate to 14 banks, 95% of payment
  - ❑ **5% payment value is £125 billion per year which is still a large phishing pool for fraudsters**
- ❑ **99% banking/payment industry in The Netherlands uses COP and APP fraud has dropped 81% since 2017**
- ❑ UK Finance with Pay.UK is working on a new payee data set that includes the amount of money being moved is compared to the balance – **fraudsters take it all**



Content is illustrative; banks' messaging will deliver the same broad experience but wording may vary from bank to bank.

Pay UK: <https://www.wearepay.uk/what-we-do/overlay-services/confirmation-of-payee/>

**Customers adding new payee that are using non COP banks must be informed of the higher fraud risks**

### 3. What is needed to prevent/stop APP frauds



We know to prevent COVID, all people need to be vaccinated, and to prevent APP frauds, countermeasures are required as:

1. Mandatory regulations are required to prevent fraud all bank accounts/Faster Payments using CoP
1. Banks to cooperate in multi-bank research aimed at vigorously preventing fraud and identifying fraudsters
1. Owners of bank accounts to know the risk in paying a new payee in **an active way** before payment sent
1. Social media platforms to be fined, similar UK GDPR, for failing to stop fake ads – **could be part of the new 'on-line safety' bill**
1. Cloud/AI technologies augmenting current texts, phone calls, email and legacy banking systems to signal “High Fraud Risk” by payee



## 4. It's the Right Time to Act, as COVID inoculations proved



- ❑ Banks need to be inoculated by:
  - ❑ Covering 100% Faster Payments by mandating CoP in the FP Scheme
  - ❑ Mandating reimbursement program for banks as customers, vulnerable or not, cannot be blamed 60% of frauds
  - ❑ Firmer enforcement of Know Your Customer (KYC ) and Anti Money Laundering (AML) existing bank regulations encouraging annual or real time checks
  
- ❑ Tackle the fraudster supply chain by fining and shaming:
  - ❑ Social Media Platforms failing to stop investment ads that are clearly not regulated
  - ❑ Telecomm / hosting companies failing to trace fraudsters using their facilities
  - ❑ Companies failing to stop products and data ending up on the Dark Web
  
- ❑ Banks/Police, must work together on cyber/digital fraud, alongside traditional law and order and markets expects regulators to require banks and FinTech deliver higher levels of security

***Cyber/digital technology is a great enabler – money moved in milliseconds/goods sent to your door and like UK decimalisation and Year 2000 Data issue society needs help in the transition***





# Comments, Questions & Answers





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# Thank You For Listening

## Forthcoming Events

- Wed, 20 Apr (15:00-15:45) CommunityZ Chest: Caroline Bennett - Finance & The Fishing Industry Post-Brexit
- Thu, 21 Apr (16:00-16:45) A Journey To Operational Resilience
- Tue, 26 Apr (11:00-11:45) Nature As The Next Wave

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