

PSR Consultation on general directions on implementing Confirmation of Payee (paper CP18/4)

20 December 2018

Response from Ordo (the trading name of The Smart Request Company Ltd)
Submission to app-scam-pso-project@psr.org.uk

REDACTED version for PUBLICATION

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Who we are:

We are Ordo, the trading name of The Smart Request Company Ltd. We are an early stage fintech start-up and TPP.

The five founding directors incorporated the business as a new venture earlier this year, having previously worked together in the Faster Payments Scheme, driving new competition in banking and payments and transforming access to the Systemically Important payment system. Whilst we were the leadership team at Faster Payments, we instigated bringing on new challenger banks and other PSPs such as Monzo, Starling, Atom, ClearBank and Transferwise. The team were awarded the Payments and Cards Awards Industry Achievement Award in 2017 by their payments industry peers for their work to allow Transferwise and its customers direct access to the Faster Payments System.

Following our time at Faster Payments, we set up The Smart Request Company Ltd, trading as Ordo, in the spring of this year.

Ordo's company purpose is:

to improve financial wellbeing of individuals, businesses, social enterprises, charities, community groups and the public sector by helping them to be more in control of their finances. We do this by:

- enabling payers to securely and simply see what they've been asked to pay, trust who's asking, and then choose how and when they make or don't make payments;
- enabling billers to securely, simply and cost effectively provide information to, and request payments from, their customers without having to gather, store and protect payers' private financial information; and
- enabling billers to understand the status of their payment requests and receive settlement irrevocably and without delay from their customers, directly into their bank accounts.

We are leveraging our collective experience in payments, technology, consumer markets and regulation to achieve this.

Our view and what we think a secure payments future should look like:

We are creating a better way to request and make payments with a new, secure end-to-end competitive digital payments overlay service. We believe the solution we are building is an important part of the strategic long-term solution which will afford all payers, be they individual consumers or businesses of any size, the confidence and assurance that their payment has gone to the intended destination.

If every payment begins with a request from the biller concerned (which could be a consumer or a business), this significantly lessens the likelihood of a payment going to the wrong destination. A biller's request for payment will contain the account details for the biller [redacted], and these are neither revealed to, nor can they be changed by, the payer. The receiving (of the request for payment) potential payer will then only choose to pay the request if they recognise the biller, what the requested payment is for and if it is for the correct amount.

[Redacted] The payer will be notified that they received a request for payment, which will contain the biller name. [Redacted]

At the date of writing, Our comments regarding scope of CoP are made without the benefit of access to the detailed CoP specifications/requirements. As an aspiring PISP, rather than an existing ASPSP, we have so far not been granted access to Pay.UK's documents. It is possible therefore that we may have misunderstood the precise scope of CoP.

The CoP Service and rules need to ensure that:

Where a third party provider (TPP) includes in a Payment Instruction for their customer an account title that is the same as, for example, what is shown on a person's debit card or cheque book, the CoP process must result in a perfect match and the process for the end user to complete a payment must be seamless and frictionless.

All of the account titles that an ASPSP uses to describe its customer must result in a perfect match from the CoP service. This should cover: cheque book name, debit card name and the account name provided via any push payments.

Where the provided account title is only a close match, and the payer has to manually accept the match, Open Banking must inform the TPP that the payer had to validate and accept the played back title to allow this to be investigated, improved and amended if relevant.

At the point of launch of CoP it is vital that all these requirements can be met for TPPs initiating payments via Open Banking. Failure to provide these will prevent the TPP delivering a comparable level of service as an ASPSP and would mean that the TPP was not operating on a level playing field compared to an ASPSP. This would be anti-competitive, prevent the objectives of PSD2 being realised and must not be permitted by regulators.

This is particularly relevant to our service as [Redacted] the payer will have received a digital request from the biller [Redacted] [which] include[s] its receiving account details [Redacted]

To address the consultation questions which are relevant to us specifically:

1. Is giving directions under section 54 of FSBRA to PSPs requiring them to introduce CoP the right approach to securing our objectives, in particular to reduce significantly losses and harm from APP scams and accidentally misdirected payments as soon as possible? Are there other approaches that would lead to the same outcomes that we should consider, and if so, what are they? Do you have any other comments on the issues raised above?

The approach of giving directions is not without risk. It could enable ASPSPs to behave in such a way that means they comply with directions but is effectively anti-competitive enabling them to discriminate or exclude TPPs. Any regulatory mandate and/or directions given must be technology neutral. Adequate consultation with all parties that are individually affected by any directions is essential.

We believe our request for payment service provides a fuller, richer and more comprehensive package of security and assurance than Confirmation of Payee alone, as explained above. [Redacted]

As at the date of writing, In the absence of sight of standards and any rules (see comment above), we would urge the PSR to ensure that CoP does not prevent other long-term strategic solutions being created that may serve the market, and solve the problem, more comprehensively.

2. Assuming directions in respect of FPS and CHAPS are given, are there any types of PSP that should not be given the directions?

Excluding certain types of ASPSP, typically smaller ones, may lead to those organisations being targeted by fraudsters. Ultimately this could distort the market as customers may decide to only bank with larger ASPSPs, thereby conflicting with the long-stated desire to increase competition in the current account market

3. Should the same PSPs be subject to a requirement to respond to a CoP request as those that are required to send a request?

4. Do you think that we should consider giving directions in relation both to FPS and CHAPS transactions?.....

We note that the proposed solution excludes other forms of push payment such as Bacs Direct Credits; has the likelihood that fraudsters will change their vector of attack to such services been considered?

5. Should the directions apply to all payment channels that an FPS or CHAPS payment can be initiated from? Should a CoP request only apply when a new payment mandate is being set up or changed?

Our service will provide [Redacted] a payer with certainty every time.

If only applied to CHAPS and FPS 'Single Immediate Payments' fraudsters could encourage victims to set up Standing Order and 'future dated' transactions ('set it up now, to pay me tomorrow/next week'). Unless these are in scope of CoP, with the Payer having the ability to check the payee account name, end users will not benefit.

6. How should any direction deal with the potential for people to opt out of the CoP process?

Billers and payers will sign up for our service whereby proactively making the decision to pay using a more secure and smart end-to-end solution [Redacted]. This model largely reflects how people exchange information and buy services in today's digital, online and mobile world, eg messaging services such as WhatsApp, music and TV streaming services such as Netflix and Spotify, and picture sharing services such as Pinterest all require a proactive sign up.

[Redacted]

Any directions should not prevent a user, whether opted in or out of CoP, participating in any other kind of service that delivers the same assurance or more.

7. Should any directions cover the sending of money from both individual and business accounts?

Our service will provide [Redacted] certainty every time. We have anecdotal evidence that SMEs suffer widespread fraud attacks when emailing invoices to customers for payment. Not only will our service ensure the correct SME biller is paid, but it will provide a channel for SMEs to send their invoices in a safe and secure environment.

8. Should the directions separate out responding to CoP requests from being able to send CoP requests?.....

9. Do you agree with the [1 April 2019 for responding, and 1 July 2019 for sending] deadlines for the introduction of CoP?....

10. Are there any alternative approaches that we should consider instead of giving directions to PSPs as set out in this document?

As outlined above, our request for payment service will be an end-to-end secure digital service [Redacted]. We believe that our solution, therefore, is the strategic, long-term, richer solution that will provide the UK with the next progression in the UK's already advanced payments system. [Redacted] where there is a match between who the payer is wanting to pay and the destination account title, the checks an ASPSP conducts must be frictionless for the payer, otherwise this will impede adoption and undermine the UK's opportunity to lead the way in the next revolution of making payments easier with greater security.

Excluding business or consumer accounts will leave an opportunity for fraud.

Article 74 of the Payment System Regulations 2009 refers to liabilities on PSPs around incorrect account numbers. It is this that has enabled ASPSPs to not validate account name and number. Has the PSR considered this, and/or potentially raised with the FCA?

Incorrect unique identifiers

74.—(1) Where a payment order is executed in accordance with the unique identifier, the payment order is deemed to have been correctly executed by each payment service provider involved in executing the payment order with respect to the payee specified by the unique identifier.

(2) Where the unique identifier provided by the payment service user is incorrect, the payment service provider is not liable under regulation 75 or 76 for non-execution or defective execution of the payment transaction, but the payment service provider—

*(a) must make reasonable efforts to recover the funds involved in the payment transaction;
and*

(b) may, if agreed in the framework contract, charge the payment service user for any such recovery.

(3) Where the payment service user provides information additional to that specified in regulation 36(2)(a) or paragraph 2(b) of Schedule 4, the payment service provider is liable only for the execution of payment transactions in accordance with the unique identifier provided by the payment service user.

- 11. Is our assessment of the benefits the right one?....**
- 12. Is our assessment of the costs the rights one?.....**
- 13. Is our assessment of the trade-off between costs and benefits the right one?.....**
- 14. What is your view of the impact of the proposed dates in our approach to the trade off between costs and benefits?....**
- 15. Equality impact assessment.**

We are a commercial company building a competitive solution for the payments ecosystem. The information above remains the property of Ordo, the trading name of The Smart Request Company Ltd.