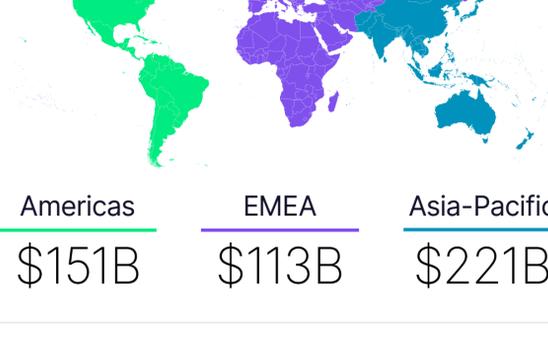


# Redefining Responsibility: The UK & the Global Shift in APP Fraud Liability

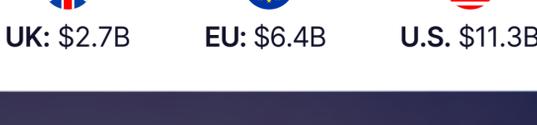
## The Global Landscape of Push-Payment Fraud Reimbursement



Fraud losses are mounting across the globe.  
485.6 B in losses (2023)<sup>1</sup>



### Consumer & Business Fraud Losses:<sup>2</sup>



### Total APP Scam Case Volumes by Scam Type<sup>3</sup>

Scam Type	Case Volume		
	2022	2023	% change
Purchase	133,595	176,685	32%
Investment	11,107	10,611	-4%
Impersonation: Police/bank staff	17,109	10,357	-39%
Impersonation: Other	28,960	24,384	-16%
Romance	4,007	4,824	20%
Advance fee	26,950	22,623	-16%
Invoice and mandate	2,590	2,188	-16%
CEO scam	168	189	13%
Unknown scam type	117	765	554%
<b>All scam types</b>	<b>224,603</b>	<b>252,626</b>	<b>12%</b>

Fraudsters increasingly target customers with **authorized push payment (APP) scams**. To combat this, UK regulators have created rules for banks to reimburse victims.

“Authorized push payment scams happen when a person uses a fraudulent or dishonest course of conduct to manipulate, deceive or persuade someone into sending money to an account outside of their control.”  
– Payment Systems Regulator<sup>3</sup>

The broad implementation of instant payments channels in the EU and UK allows for APP scams to proliferate. **Fraudsters like to target this payment method because:**

- Fast posting speeds mean less time for review.**
- Payments are irreversible.**
- Instant payments bypass many fraud-detection systems.**
- Instant payments systems support high transaction limits.**

\$637M in APP fraud in the UK from 2019 – 2023

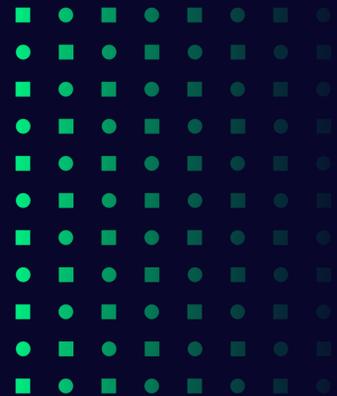
### APP Liability and Regulation by Region<sup>3,4</sup> (All figures 2023)

<p><b>United Kingdom</b></p> <p>Liability: Split between UK-based sending and receiving payment service providers (PSPs). Legislation: Active, October 2024.</p>	<p><b>European Union</b></p> <p>Liability: Limited institutional liability under PSD3, customer must perform payee due diligence. Legislation: Limited active legislation, additional under consideration.</p>
<p><b>United States</b></p> <p>Liability: Consumer. Legislation: Under consideration, no active development.</p>	<p><b>Canada</b></p> <p>Liability: Customer must not be at fault; Potential for recourse through Ombudsman in case of dispute. Legislation: Under consideration, existing legislation does not address APP.</p>
<p><b>Australia</b></p> <p>Liability: Consumer. Legislation: Active guidance takes prevention-based approach.</p>	<p><b>Brazil</b></p> <p>Liability: Not specified; may rely on general financial regulations. Legislation: No plans to address APP reimbursement, active legislation addresses violent crime.</p>
<p><b>France</b></p> <p>Liability: Consumer. Legislation: Under consideration, no active development.</p>	<p><b>Nordics</b></p> <p>Liability: Similar to the EU, but with a strong lean toward consumer protection. Legislation: Under consideration.</p>
<p><b>India</b></p> <p>Liability: Limited customer liability. Legislation: Active legislation does not address authorized APP losses.</p>	<p><b>Singapore</b></p> <p>Liability: Customer is liable for authorized APP losses, though new phishing legislation is exploring shared losses. Legislation: Under consideration.</p>

### The UK 2023 Financial Services & Market Act: Shifting Liability

Implemented in October 2023, the UK Financial Services & Market Act is the first global legislation to hold institutions liable for APP fraud. It creates requirements for all in-scope PSPs to reimburse APP losses.

- Reimbursement applies to individuals and microenterprises.
- APP losses up to GBP£415K are to be reimbursed promptly.
- Customers must heed warnings from institutions and authorities.
- Cost split between sending and receiving PSPs.
- International payments are out-of-scope.



### Popular APP Scams

<b>Romance scams</b>	<b>Elder financial exploitation</b>	<b>Business Email Compromise (BEC)</b>
<b>Family emergency scams</b>	<b>Customer support scams</b>	<b>Employment scams</b>

Download our fact sheet, **A Proven Solution to Authorised Push Payment Fraud** for more information.



### Prevention is Always the Best Strategy

Even if your institution isn't liable for a user-authorized scam, protecting your customers will mitigate the reputational damage associated with fraud.

#### Prevent scams from impacting you through:

- Transparency into both sides of a transaction (sender and receiver).
- Temporary holds on suspicious transactions.
- Reporting on all instances of fraud to mitigate future attempts.
- Machine learning technology to quickly identify high-risk activity.
- Consortium insights to review past activity and reduce false positives.

Nasdaq Verafin's consortium analytics help you identify user-authorized fraud before it can damage your institution or customer.



#### Sources:

- Nasdaq, Nasdaq 2024 Global Financial Crime Report <https://www.nasdaq.com/global-financial-crime-report>
- Ibid, p. 36
- Payment Systems Regulator, APP fraud performance data <https://www.psr.org.uk/information-for-consumers/app-fraud-performance-data/>
- Verafin, Shifting Liability: Authorised Push Payment Reimbursement Models <https://verafin.com/resource/shifting-liability-authorised-push-payment-reimbursement-models/>

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