

Crown Dependencies APP Fraud Framework

1. Overall position

We are aligned on the benefits of a practical pan-Crown Dependency approach to APP fraud.

The aim of the framework is to support a coordinated and broadly consistent approach across the Crown Dependencies, while recognising jurisdictional differences where relevant. The focus is on retail-customer banking activity and sterling payments over Faster Payments and CHAPS, so that the work can move forward in a proportionate and workable way.

For the purposes of this work, APP fraud refers broadly to cases where a customer is deceived or manipulated into authorising a payment. The detailed definition, including its boundary with unauthorised fraud and other payment/fraud scenarios, will need to be developed and tested further to ensure clarity and consistent treatment in practice.

These messages reflect the areas of common direction between the Crown Dependency regulators. They are intended to support engagement on the emerging approach, while recognising that some detailed calibration points will need to be tested further with industry, government and Ombudsman colleagues.

2. Agreed principles and direction of travel

Scope: The focus should be retail-customer banking activity and sterling payments over Faster Payments and CHAPS. The precise firm and customer perimeter should be tested through engagement, with the aim of supporting consistent customer outcomes and clear handling of APP fraud cases and related complaints, while keeping the framework proportionate and workable.

Prevention, education and controls: An effective APP fraud framework requires a strong foundation based on prevention, detection, systems and controls, customer warnings, customer education and support for vulnerable customers. Clear expectations are also needed on how firms respond when customers report suspected fraud.

Reimbursement: The framework will need to address reimbursement, but the detailed approach remains to be settled. This includes the potential scope of eligible claims, any cap, customer responsibility, vulnerability, and the circumstances in which any reimbursement may be reduced or refused. Any approach should support meaningful customer protection while remaining proportionate, pragmatic and workable in practice.

Cross-bank cost sharing is not the right starting point: We have considered whether reimbursement should be shared between sending and receiving banks within the Crown

Dependencies. The current working view is that a cross-CD inter-bank cost-sharing model would be operationally complex and should not be the starting point for the framework.

Gross negligence, customer responsibility and vulnerability: Gross negligence, customer responsibility and vulnerability will need careful treatment within the framework. Where relevant, vulnerability should be taken into account in firms' handling of individual cases and in determining appropriate outcomes, with the overall approach remaining evidence-based, proportionate and workable.

Ombudsman engagement: Engagement with relevant Ombudsman colleagues will be important as the framework develops, to help ensure that the approach is clear, workable and capable of being applied consistently in complaint handling, taking into account cross-jurisdictional considerations.

3. Next steps and working arrangements

The immediate next step is to use these agreed high-level messages as the basis for collective engagement with relevant trade bodies and government colleagues. That engagement should test workability, identify operational pinch points and help refine the concepts before the more detailed framework is shared and discussed.

The next phase should also include putting practical working arrangements in place between the Crown Dependency regulators, so that engagement, framework refinement and remaining calibration points can be progressed in a coordinated way.