

Bank of England

David Geale
Managing Director
Payment Systems Regulator
12 Endeavour Square, Stratford
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Victoria Cleland
Executive Director, Payments

22 January 2025

Dear David,

Cooperation principles with respect to CHAPS

Thank you for your letter, dated 15 January 2025.

The Bank and the Payment Systems Regulator (PSR) agreed a set of principles to ensure effective working with regard to CHAPS when the Bank became the operator of CHAPS in November 2017. These principles were set out in an exchange of letters at the time. The principles reflect the PSR's ongoing regulation of payment service providers who are CHAPS participants.

It is now appropriate to update these principles considering the CHAPS reimbursement requirement and rules which became effective in autumn 2024.

Following the announcement by the PSR of a new reimbursement requirement for APP fraud within Faster Payments, the Bank – as the operator of CHAPS – concluded it was important that retail consumers receive comparable treatment no matter which of these two payment rails they use. We therefore put significant weight on aligning with the reimbursement requirement and rules implemented for Faster Payments. The aim is to ensure consistent outcomes for victims of APP scams and consistent processes for payment service providers across CHAPS and Faster Payments.

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Our teams have worked together to put in place a regime that delivers this – through your Specific Direction 21 (CHAPS APP scam reimbursement requirement) and our updates to the CHAPS rulebook. The CHAPS reimbursement rules form an annex to the CHAPS Reference Manual (CRM) and are published on our website. Our contractual arrangements with CHAPS direct participants bind them to follow the rules we set out in the CRM. The CHAPS reimbursement rules are further underpinned by your Specific Direction 21 requiring all in-scope CHAPS participants (direct and indirect) to comply with those rules. This policy should improve retail consumer protection, incentivise the industry to invest in fraud prevention and help to better understand the fraud landscape.

As we set the CHAPS reimbursement rules, the maximum claim excess and the maximum reimbursement amount for CHAPS APP scam claims, effective collaboration between the Bank, as the operator of CHAPS, and the PSR is necessary to preserve the benefits of consistency for industry and retail consumers. Coordination with Pay.UK, as the operator of Faster Payments, is also important and we welcome your support as we seek to ensure this is effective.

We therefore agree with the updated principles set out in your letter to support this aim, and support the three key steps required to ensure cooperation and coordination in relation to the CHAPS reimbursement requirement: sharing information, including compliance data; the Bank sharing any changes to the CHAPS reimbursement rules; and the PSR sharing any changes to SD21 or Faster Payments arrangements that may impact the CHAPS reimbursement rules or policy.

I look forward to our teams continuing to work together to advance our respective objectives.

As agreed, our exchange of letters will be published on our websites.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Victoria Cleland', with a stylized flourish underneath.

Victoria Cleland
Executive Director, Payments