

Review of Effective Warnings provision of the CRM Code published by the Lending Standards Board (LSB)

London, 10 December, 2020 – The Lending Standards Board (LSB) has published a summary report evaluating firms' implementation of provision SF1(2) - Effective Warnings of the Contingent Reimbursement Model (CRM) Code for Authorised Push Payment (APP) scams today.

The voluntary code, launched in May 2019, sets out consumer protection standards to detect, prevent and respond to APP scams and provides a commitment to reimburse customers who lose money where they were not to blame for the success of a scam. An APP scam occurs when a customer is tricked into authorising a payment to an account that they believe belongs to a genuine payee, but is in fact held by a scammer.

The review carried out by the LSB, the primary self-regulatory body for the banking and lending industry, took place between August and November this year and assessed all nine signatory firms' implementation of the effective warnings provision of the Code. The LSB assessed whether the systems, processes and controls within a firm maximise the opportunity to create and provide effective warnings, which would reasonably be expected to discourage a customer from proceeding with a payment which might result in them becoming a victim of an APP scam.

The summary report published today sets out the LSB's findings and recommendations from the review. Within it, the LSB noted areas of improvement relating to effective warnings not being provided in some instances, a lack of defined assurance programmes or oversight within some firms, arbitrary thresholds being used and the need to further develop warnings.

Areas of good practice were also identified, relating to improved awareness and education of scams amongst customers, firms' pro-active programmes of activity to enhance warnings and the use of customer feedback to better determine the success of the warnings provided. It was noted that all firms demonstrated a commitment to continually enhancing the provision and content of warnings to ensure better protection for customers.

Emma Lovell, Chief Executive of the LSB, said: 'Overall, we found that signatory firms had taken the provision of effective warnings as a serious tool in efforts to prevent APP scams taking place. However there is still work to be done to ensure all firms are displaying dynamic and targeted warnings which are effective in making a customer stop to carefully consider whether the payment should be made. The individual reports we have issued to firms include our recommendations for how they must improve protection for their customers. We will monitor firms' progress in embedding these recommendations and conduct a follow up review later next year.'

The LSB have issued individual reports to each firm containing recommendations and required action. They will work with firms to ensure the recommendations are implemented and breaches are remedied, tracking them through to completion with a follow up review planned for 2021. The findings from this review will also feed into the wider CRM Code review recently undertaken by the LSB, the results of which will be published in the new year.

ENDS

Notes for editors

- Thematic review of provision SF1(2) - Effective Warnings, can be read here: www.lendingstandardsboard.org.uk/resources/thematic-review-of-effective-warnings-provision-crm-code
- The LSB took over responsibility for the Code on 1 July 2019.
- The LSB is responsible for providing independent oversight of signatory firms to give assurance that the Code is being adhered to, breaches are identified and remedied and, that it delivers fair outcomes for consumers.
- Since taking ownership of the Code, the LSB has established an [Advisory Group](#), chaired by Ruth Evans, to support the LSB in overseeing the Code.
- The CRM Code was the result of work carried out by a Steering Group, also chaired by Ruth Evans, formed under the direction of the Payment Services Regulator.
- The LSB recently closed their [consultation of the CRM Code](#) which was open to current Code signatories, other financial services firms, regulators, trade bodies and consumer representatives.
- The responses to the consultation and work undertaken as part of the wider review will be used to inform any potential revisions to the Code in order to ensure its ongoing effectiveness.
- Earlier in the year, the LSB conducted their [first themed review](#) of how signatory firms are applying one element of the Code – R2(1)c: a customer's reasonable basis for belief that the relevant transaction was legitimate. This review evidenced that when applied correctly, the Code is working.
- [Nine firms](#) are signed up to the Code representing 20 brands.
- Customers who have been a victim of a scam should make contact with their bank, building society or other payment provider immediately, using the number on their website.
- More information about the CRM Code, including the full Code itself, can be found [here](#).

Contact information

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About the LSB

Established in 1999 the Lending Standards Board (LSB) sets and oversees Standards and Codes for consumers, and provides increased protection for business customers (with an annual turnover up to £25m). When implemented effectively, these ensure registered firms are better equipped to deliver fair customer outcomes. The LSB is at the forefront of independent, consumer focused self-regulation, assessing firms' compliance with the Standards and Codes as well as ensuring they evolve to stay ahead of emerging industry risks and potential areas of customer detriment. The Standards and Codes protect 95 per cent of customers and provide registered firms with a benchmark for:

- Good lending practice for personal and business customers throughout the whole product lifecycle, which gives confidence that financial institutions will deliver fair outcomes.
- Protecting against Authorised Push Payment (APP) scams, reducing their occurrence, and ensuring consumers who lose money through no fault of their own are reimbursed, without delay.