



# Confirmation of Payee

NEW APPLICATIONS FOR PAYMENT VERIFICATION

## The current state of UK Banking

A perfect storm of new regulations, payment infrastructure initiatives, accelerating fraud threats and legislation has snapped UK banks to attention. **But businesses are largely unprepared for the future.**

Over the next 12 months, technology is set to influence businesses and while generally seen as a driver of productivity, adopting these innovative solutions can be challenging.

One thing is clear. There remains a lack of understanding and preparation around the upcoming regulations, new payment infrastructures and systems – all of which are focused on driving digitisation.

– 2023 Bottomline Business Payments Barometer





## Demystifying overlay services and their importance

Part of the new regulatory environment includes “overlay services” such as Confirmation of Payee. It is one of the offerings that augment a payment service by building on existing basic infrastructure and delivering enhanced value to the participants of a payments network.

**“With the launch of various instant payment services by different networks, financial institutions often want to connect to more than one network and switch between them based on payment volume, pricing, transaction limits, and reach to depository accounts. For that reason they have become critical to the UK payments industry.”**

– Deloitte, Overlay Services



## Overlay services in action: **Confirmation of Payee (CoP)**

CoP is an industry-wide, UK response to combat Authorised Push Payment (APP) fraud and misdirected payments.

There are numerous ways businesses and consumers can be deceived into sending what they think is an authentic payment. For example, victims may receive a call from a fraudster, claiming to be from their bank, informing them that their account has been compromised and asking them to quickly transfer large sums of money, unbeknown to the victim, into the criminal's account.

CoP acts as a 'Name Checking Service', allowing the payer to check whether the name they've been provided matches the account number and sort code. This helps reduce APP fraud and payments from being accidentally sent to the wrong account due to human error.



## Confirmation of Payee: **The Pay.UK connection**

The CoP service was introduced by Pay.UK, the organisation that runs the UK's retail payment systems. Pay.UK is responsible for setting the rules and standards that define how banks, building societies and other Payment Service Providers (PSPs) must implement and operate the CoP service.

**“Fraudsters move fast and adapt quickly, coming up with novel methods and using technology to their advantage. This is reflected in the steep rise of online scams, which are one of the most prevalent crimes in the UK, with impersonation scams, where fraudsters pretend to be a friend, family member or a trusted organisation, being one of the most common methods this year. We are working with the payments industry to develop tools to detect and prevent this type of fraud.”**

– Kate Frankish, Chief Business Development Officer and Anti-fraud lead at Pay.UK

## How CoP works

The checking result helps the payer make a more informed decision as to whether or not to proceed with the payment



The CoP check starts when the payer or payee begins to setup a new payee or amend details



The payer provides the account name, sort code, account number, and indicates the account type (personal/ business). The information given is then checked



**Yes** - the name and account type you supplied matches the details on the account



**No** - the name is a close match



**No** - the name doesn't match the name held on the account



**Unavailable** - it has not been possible to check the name because: timeout, account doesn't exist etc...

## How CoP works

- CoP checks the name of the payer/payee against the account details provided before making a payment transaction.
- When an individual or organisation wants to make a payment to a new payee or when setting up a Direct Debit, they must first verify new payees/payers which will be cross referenced by their bank or payment service provider (PSP) to ensure the recipient's account name is the name registered to that account.
- If the name is a match, the payment proceeds as usual. However, if there is a discrepancy or partial match, the payer is alerted to review the details and take appropriate action.





## CoP: The case for urgent action

### Two factors are driving the urgency for CoP

1. **Bank Mandates:** In October 2022, the Payment Systems Regulator (PSR) announced two deadlines. The first that lists named banks to implement CoP before the end of Oct 2023. The second, a pool of ~400 banks and PSPs, with a deadline of the 31 October 2024. This will increase the banks' ability to respond to CoP requests and send requests to other banks to verify the beneficiary details before initiating a payment.
2. **Increases in APP Fraud:** Businesses are also facing a new wave of APP, CEO, and impersonation fraud as criminals have taken advantage of the uncertainties caused by the pandemic to pose as senior people in a company, requesting urgent funds to be transferred.

**“While the UK’s Payment Systems Regulator (PSR) has already mandated that financial institutions incorporate CoP into their consumer banking services to help prevent APP fraud, we believe more can be done. Using our API first technology, companies of all sizes can now better safeguard their own business payments using CoP for Business.”**

– Colin Swain, Bottomline’s  
Head of Product



# CoP: Addressing key business pain points and the resolution



## 1. Prevention of Unauthorised Payments

Confirming the payee's identity, can prevent scams where customers are tricked into making payments to fraudulent accounts.

## 2. Reduction of Misdirected Payments

CoP reduces the incidents of payments being sent to the wrong account by mistake due to typographical errors or confusion over account details.

## 3. Increasing Confidence in Digital Payments

Fraudulent transactions and scams can erode trust in digital payments. By adding an extra layer of security, CoP can help to build confidence in these systems, encouraging their use.

## 4. Improving Traceability and Accountability

CoP makes tracing payments easier and holds the right people accountable. If the payee's information does not match the bank's records, the transaction can be stopped, making it easier to investigate potential fraud.

## 5. Easing Dispute Resolution

When there are disputes over payments, take an example of Direct Debit setups, a system that confirms the payee can help lower the risk of an indemnity claim efficiently. This is where the payer can claim back their payment if taken in error or without authorisation.



## Exploring additional factors businesses need to consider

**“In addition to CoP’s effectiveness as a fraud prevention service through its extensive coverage and the timeliness for updates, the CoP solution gives businesses additional benefits of improving operational efficiencies.**

**This is particularly attractive compared to other solutions today, which have limitations in the breadth and depth of real-time data to carry out account validation checks and rely on manual processes when accounts cannot be verified.”**

– Mark Bish, Confirmation of Payee  
Product Lead, Bottomline

## Exploring additional factors businesses need to consider

### When making a payment or setting up a Direct Debit:

- Have the full name of the person or business you want to pay as it appears on their bank account. For personal joint accounts, you'll only need the first and last names of either of the account holders.
- Choose whether you expect to pay a personal or business account – you'll be alerted if your categorisation is incorrect.
- Make sure you're confident you're paying the correct person or business. If you get a partial or no match when you input the details and choose to continue, you or your company may be liable for any loss.



### When issuing a request for payment such as an invoice:

- Make sure that your invoices quote the full legal name or "trading as" name.
- Confidential Invoice Discounting (CID) clients should contact their relationship team if they have particular concerns.



## CoP: Is there evidence of its effectiveness?

According to the May report from UK Finance

- UK fraud losses overall **fell by 8%** to £1.2bn, driven by a 17% fall in authorised push payment (APP) losses.
- Specifically, APP **fraud dropped to £485.2m** in 2022, following a 39% rise the previous year.

**“Fraud teams are starting to feel the real benefits of new tools such as Confirmation of Payee. In summary, it helps to identify more scams. Fraudsters are now being more frequently identified before money has been sent. Moreover, the public is becoming aware of and comfortable with these approaches. When fraud protection provides a good customer experience people see it as benefit not a hindrance.”**

– Matt Cox, FICO

## How do businesses use CoP?

Bottomline's solution is embedded at the point of capture, where customers are providing account details e.g. face-to-face, online, a mobile app or through a call centre, where verification can be achieved through our simple API.

By verifying payee details at the point of engagement, this offers significant real-time benefits, including:

- Verifying payee details whenever they are added or amended
- Flagging where remediation is required
- Reducing the expense of repairing invalid data
- Blocking and preventing payment fraud



This stands out over other alternative solutions where verification checks are performed at the point payments are submitted for processing, or by using static file uploads to verify payees which increases the chance of costly remediation, a poor customer experience and potential fraud.

## Here are a few examples how businesses can benefit from digital account verification



Online retailers or e-commerce platforms can verify the identity of their sellers.



Insurance companies can verify the name of the policyholder or beneficiary.



Healthcare providers can verify the name of the patient.



Educational institutions can verify the name of the student for tuition payments and financial aid disbursements.



Businesses that need to pay suppliers, employees, or partners can use CoP to ensure their payments go to the correct recipients. This is particularly useful for businesses that frequently set up new payees.



**Account updates**

**Refunds**

**Loans**

**Payroll**

**Direct debit**

**Insurance claims**

**Account opening**

**Casual staff**

**Supplier payments**

**Compensation payments**

## Here are a few examples how businesses can benefit from digital account verification



### Avoiding misdirected payments

Human errors, such as typing a wrong account number, can result in misdirected payments. CoP can help avoid these by confirming the recipient's details before the money is sent.



### Customer confidence

The system also provides customers with peace of mind by confirming that their money is going to the intended recipient. This increases trust in the banking system overall.



### Regulatory compliance

Implementing and using the CoP system helps banks comply with regulations aimed at preventing money laundering and other illicit financial activities.



### Online transactions

With the rise of e-commerce, many transactions are completed online. CoP can help ensure that payments made on these platforms are sent to the right sellers, further promoting safe online shopping.



### Direct Debits and Standing Orders

When setting up Direct Debits or standing orders, the CoP system can verify that these regular payments are being sent to the correct accounts. This prevents future payments from going astray.

## Building the business case for CoP

### **Don't miss an opportunity to rapidly impact your bottomline.**

The banks that have implemented the CoP service before the deadlines are already reaping the benefits of reducing fraud and providing their customers with additional protection.

The attention now turns to how businesses can benefit from this bank-grade account verification.

To help build the business case for CoP, here are a few foundational questions to think about to get you started.

**How are you verifying accounts digitally, and what is the account coverage when carrying out checks?**

**How much does it cost the business when you can't carry out digital checks?**

- Be sure to include the resource needed to follow-up and any delays to revenue.

**What is the impact of the delays in verifying the accounts?**

- This can vary from customer drop-off to reputational.

### **The real cost**

In any step of the process where your organisation is having to manually carry out the account validation process, take fraud losses as a given or follow-up with customers for their correct details, it's time spent away from other critical business opportunities. All this can be simply solved with a paperless, painless and real-time automated solution – and the cost savings may surprise you.





## The unseen value of ESG in CoP

The Confirmation of Payee (CoP) system primarily addresses issues related to financial transactions, safety, and security. However, it does indirectly touch upon some environmental, societal, and governance (ESG) concerns.

### **Societal Impact**

By providing additional protection against fraud and scams, CoP contributes to the societal goal of ensuring safer, fairer financial systems. It can help reduce the financial losses individuals suffer from fraud, and the stress and anxiety associated with being a victim of fraud.

### **Governance Impact**

CoP helps financial institutions and regulators ensure the integrity of financial transactions. In this sense, it is part of the governance structure of the financial system. It may also lead to enhanced trust in financial institutions, which is a key governance issue.

### **Environmental Impact**

The environmental impact of CoP is less direct, but it could be argued that digital transactions and systems like CoP indirectly support environmental sustainability. As compared to traditional, paper-based financial processes, digital transactions require less physical infrastructure and materials, which could reduce the environmental footprint of the financial industry.



Unlock untapped profit potential.

Book a meeting to see how streamlining your account verification process and adding an additional layer of security can help.

[Book a Meeting](#)



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